# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JULY 1953

## Business and Credit Outlook Generally Good

***National Survey Results***

(page 29)

## Why Interest Rates Have Been Rising

(page 49)

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The Graduate School's 19th Session Attracts Distinguished Visitors

(See page 3)

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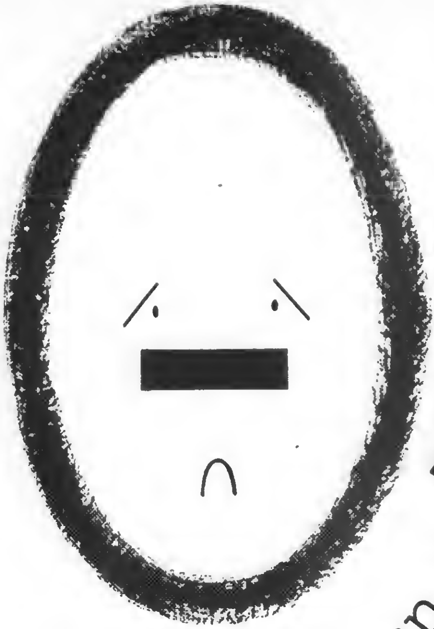
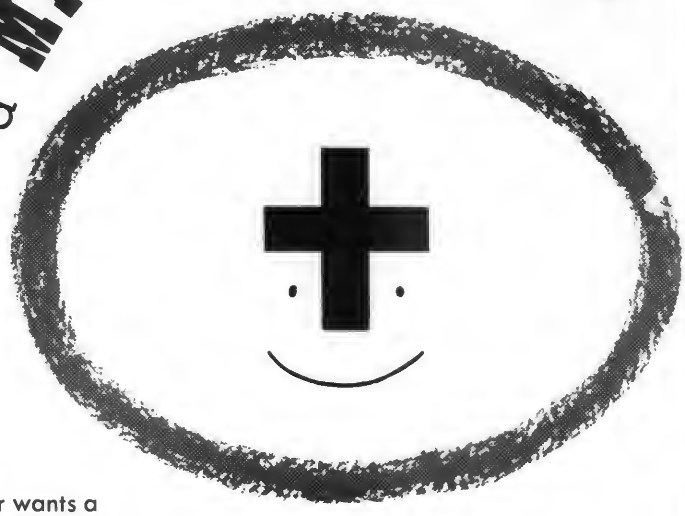


# How to turn a MINUS into a PLUS



Sometimes, when a good customer wants a commercial loan it looks as if you'll have to turn him down. If you do, you may be minus a customer, a loan and a profit.

Many bankers have solved this problem by suggesting a field warehouse loan on the customer's inventory. Under this plan, Douglas-Guardian issues warehouse receipts on the borrower's merchandise without moving it off his premises. Result: Your customer gets his money—your bank gets two-fold security (the warehouse receipts *and* the merchandise) and, of course, you keep a customer plus his good will and the profit on his loan.

**YOU MAKE THE LOANS—WE'LL MAKE THEM SAFE**

## DOUGLAS-GUARDIAN

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# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

## CONTENTS FOR JULY 1953

*Some material belongs in several different classifications but for your convenience is usually listed under one heading only*

### BANKING'S REPORT

**Business and Credit Outlook Generally Good (page 29)**



### HERE AND ABROAD



### PEOPLE



### INVESTMENTS



### TAXES—TRUSTS—LEGAL



### ADVERTISING—PUBLIC RELATIONS—COMMUNITY DEVELOPMENT



### OPERATIONS



### GENERAL NEWS



### THE COUNTRY BANKER

# Just a Minute

### *Headliners*

We suggest that the well-informed reader will be sure he doesn't miss in this July issue:

BANKING's Report on the credit outlook, based on a national survey conducted by the Credit Policy Commission of the American Bankers Association.

The commentary on interest rates by DR. E. SHERMAN ADAMS, A.B.A. deputy manager in charge of the Department of Monetary Policy.

The statement by ROWLAND R. HUGHES, Assistant Director of the Bureau of the Budget, before the House Ways and Means Committee.

### *The G.S.B.'s 19th*

As reported on other pages, The Graduate School of Banking held its 19th annual summer session and graduated its 17th class at Rutgers University in June.

The School, conducted by the American Bankers Association, had the usual capacity enrolment of more than 1,000 bank officers, including the candidates for the certificate that symbolizes completion of the rigorous three-year course.

From the theses written by the Class of 1953 several will be selected by a faculty committee for permanent housing in the A.B.A. Library in New York. The bound volumes thus assembled over the years have become an important addition to the literature of banking.

In his foreword to *Present Day Banking 1953,* which contains Class of 1952 theses placed in the Library, DR. HAROLD STONIER, director of the School, notes that the growing collection epitomizes the G.S.B. The theses, like the School, he says, "stand for adult business education."

"They represent months of research among the facts and figures of banking by working bankers. The authors have dug from statistics, from books, and from their own experience information and ideas that will help other bankers do a better job for other banks and for the public.

"For Pete's sake, can't you wait til you're in the bank to read that?"

HIGGINS


# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION


**THIS MONTH'S COVER**

**BANKING'S cover shows a group of American Bankers Association and Graduate School of Banking officials with one of the distinguished visitors from abroad at this year's Rutgers campus session. *Left to right:* Merle E. Selecman, executive manager, A.B.A.; William A. Irwin, economist of the A.B.A. and associate director of the G.S.B.; Maurice H. Megrah, secretary of the Institute of Bankers in England; Harold Stonier, executive vice-president of the A.B.A. and director of the School; W. Harold Brenton, A.B.A. president and president of the State Bank of Des Moines, Iowa; and William Powers, deputy manager of the A.B.A. and G.S.B. registrar. For an account of the School's session and a list of members of the Class of 1953, see page 90**


### *The Staff*

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**"In your address at the state bankers' convention, Wilson, what was that story about the what-cha call it?"**

"This amazing output," DR. STONIER continues, "accumulated since 1937 when the G.S.B. graduated its first class, is actually but the beginning of a distinguished, unique collection of literature on bank management and operations. As time passes and future School men contribute their time and talents to productive research, it is easy to foresee that bankers will find here an unexcelled accumulation of reference material."

BANKING'S coverage of the 1953 session at Rutgers starts on page 90.

### *The A.I.B.'s 51st*

ON September 18 and 19, 1903, the American Institute of Banking (then called the American Institute of Bank Clerks) had its first national convention. The place was Cleveland—and back to Cleveland the Institute gathered in June 1953 to start these profitable, pleasant annual meetings on their second half century.

BANKING didn't attend Convention No. 1, for the excellent reason that the event preceded by several years our Vol. 1 No. 1. But we were at Cleveland for No. 51, and report what we saw, heard, and photographed in the story on page 98.

### *"An Immense Influence"*

IN September 1903, prior to the opening of the first A.I.B. convention, the *Wall Street Journal* published an editorial on the Institute.

"There can be no doubt," said the newspaper, "that the organization of

(CONTINUED ON PAGE 6)

**500 tons of precision and impregnability** protect billions of dollars in money and securities in this newly completed, two-story vault, built by Mosler for the Girard Corn Exchange Bank in Philadelphia.

# "Fort Knox" in Philadelphia?

One of the first visitors to walk past the giant, glistening steel door you see above, observed (after a quick and incredulous drawing in of his breath), "*This must be what Fort Knox is like!*"

His observation was a great deal more accurate than he realized. For the new two-story vault just completed at the Girard Corn Exchange Bank in Philadelphia was actually built by the builders of the U.S. Gold Storage Vaults at Fort Knox. The name "Mosler" appears on the vault doors of *both*.

He would be surprised to learn (though few bankers would) that 80 per cent of America's leading banks as well as the vast majority of Federal Reserve Bankers rely on protective equipment that bears the name, "Mosler."

There's a reason, of course. When government or bank officials exercise their responsibility for providing protection . . . they naturally turn to the firm which, for over 100 years, has earned the reputation of designing, engineering and building the world's finest protective equipment.

To the people at Mosler, this recognition is not only a tribute—but is also a continuing challenge. Perhaps that is why Mosler leadership continues to grow, year after year.

**Unique elevator** inside vault, carries securities, documents between first and second stories of vault.

IF IT'S MOSLER . . . IT'S SAFE

## *The* Mosler Safe *Company*

Since 1848

*World's largest builders of safes and bank vaults . . . Mosler built the U.S. Gold Storage Vaults at Fort Knox and the famous bank vaults that withstood the Atomic Bomb at Hiroshima*

**Bank Vault Doors • Electric Drive-in Windows • Safe Deposit Boxes • "Snorkel" Curb Tellers • 24-Hour Depositories • "Swing-Way" Seats • Revo-File Revolving Files • Ledger Desk Safes**

(CONTINUED FROM PAGE 4)

bank clerks into chapters of a national federation [the Institute was then three years old] is a movement of large significance.

"This is to have an immense influence upon the future of the banking business in this country. For out of the membership of these chapters of clerks are to come the bank officers of the future. The presidents and cashiers of the banks of the next decade or two will for the most part be the men who, as clerks, are now undergoing this course of self-training. The result will be a generation of bank officers, not merely trained in the techniques of their business, but instructed as well in the principles of banking and in the history of economics. They will be able not merely to attend to the ordinary routine of their banks, but to discuss with intelligence and facility of language, the problems involved in the banking business and in Government finance. Moreover, it is altogether likely that this movement among the bank clerks will result in an ultimate elevation of the standing of banking ethics. There will be a clearer understanding of the right principles involved in the making of loans."

### The Job Market

THE 1953 crop of college graduates is doing very well, thank you.

An employment survey made by the Family Economics Bureau of the Northwestern National Life Insurance Company, Minneapolis, disclosed that more employers competing for fewer new diploma owners had pushed starting salaries to all-time peaks.

The survey covered 131 universities, colleges, and technical schools, nearly all of which reported that starting salaries for inexperienced graduates were generally about 10 percent above a year ago. The 1953 averages run $290-310 a month for liberal arts men, $310-330 for business administration majors, and $325-375 for engineers, with some individuals starting at $400 for a 40-hour week, plus overtime premiums.

Seventy-six of the schools canvassed reported that 90 to 100 percent of their seniors would be placed by commencement; the remainder expected that all or nearly all members of the Class of 1953 would have jobs by autumn.

Personnel scouts for corporations visited the campuses a month or two earlier this year than last. Some schools reported that the interviewing of June seniors started last October, immediately after registration. The larger companies interviewed men regardless of imminent military service; and in many cases particularly promising men were

(CONTINUED ON PAGE 11)

"Finley, about this constant desire for more money . . . have you considered seeing a psychiatrist?"

No. 41 IN A SERIES OF FARM COMMUNITY BUILDER STORIES . . .


# Meeting Results in Plan for Profitable Pullet Finance Program

Dealer Jerrell Anderson and Banker J. M. Eaton work together to help establish profitable poultry growers in the Blue Ridge community.

Purina Salesman Warren Elfronk, on left, calls on flock owner J. W. Thurman, center. Anderson, on right, and others from his store make frequent service calls to growers' farms.

J. M. Eaton, president of the Fannin County Bank, Blue Ridge, Georgia, attended a meeting of Purina Dealers and Bankers, to discuss farm finance programs. Mr. Eaton came home with an idea that has helped establish a profitable local poultry industry.

The bank finances both chicks and the ration. The bank makes out mortgage notes figured at $2 for each chick started. The growers pay off the notes as cockerels and eggs are marketed. Interest is figured at 6% from the time notes are signed.

Eaton depends on Purina Dealer Anderson to help select capable and dependable growers for the finance arrangement. Both have been well pleased with results of the new finance program. Eggs from about 6,000 additional hens going to market each week mean more prosperity for the Blue Ridge community.

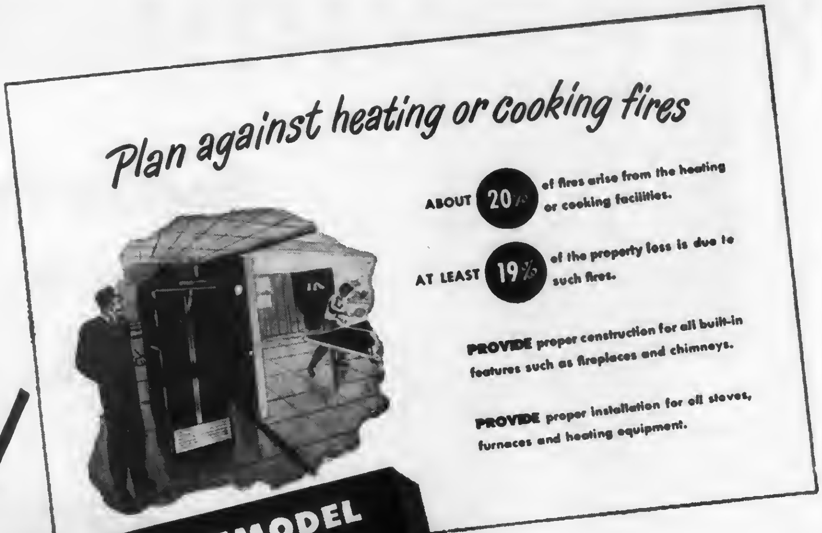
## PARTNERS IN PROSPERITY

Many bankers are proud of the prosperity they bring to farming communities by sound financing of feeding operations in dairy, cattle, hogs, broilers, poultry and turkeys. If you are such a man, you will find your Purina Dealer and Salesman glad to work with you on a business-like basis. Your salesman has a portfolio of forms and finance plans that have proved sound and profitable for other bankers. If you'll call your Purina Dealer—the Store with the Checkerboard Sign—he'll be glad to have the salesman call without any feeling of obligation.

**RALSTON PURINA COMPANY**
ST. LOUIS 2, MO.

This booklet is being offered to

# home builders ..for YOU!

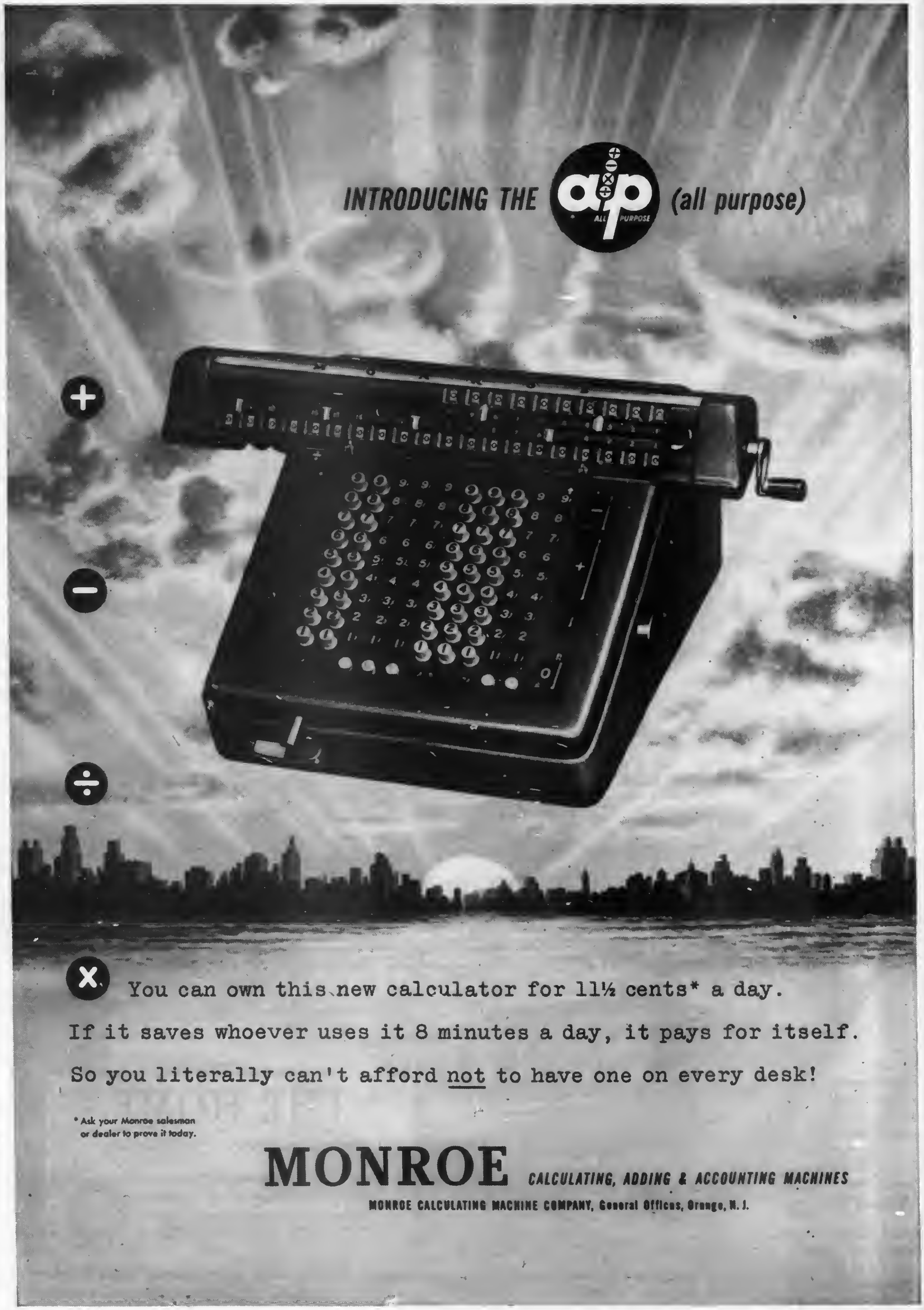





*This booklet's helpful hints on safety are extremely useful to everyone who ever has occasion to build, remodel, make repairs or improvements. These are a few typical subjects which are fully discussed:*

- **PLAN YOUR GROUNDS**
- **PLAN YOUR ENTRANCES**
- **PLAN YOUR WORK AREAS**
- **PLAN YOUR TRAFFIC WAYS**
- **PLAN AGAINST OUTSIDE FIRES**
- **PLAN AGAINST HEATING OR COOKING FIRES**
- **PLAN TO RETARD FIRES**
- **PLAN PROTECTION FROM WINDSTORMS**

Your Home Special Agent can supply you with copies of "How to Build . . ." to suit your needs.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ALL PURPOSE
You can own this new calculator for 11½ cents* a day.
If it saves whoever uses it 8 minutes a day, it pays for itself.
So you literally can't afford not to have one on every desk!
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MONROE CALCULATING MACHINE COMPANY, General Offices, Orange, N. J.

(CONTINUED FROM PAGE 6)

signed up even though they could work only a short time before entering the Armed Forces.

Most of the coeducational schools reported a good job market for women, especially in accounting, secretarial work, sales, and general business. Women bacteriologists, chemists, and metallurgists were also in demand.

### "She Got Killed Plenty"

WHEN HERBERT M. COHEN, president of the United Industrial Bank, Brooklyn, came to work the other morning he found on his desk three envelopes that had been dropped into the night depository. They contained $2,000 in small bills and the following note:

"Dear Mr. President: Last Thursday my daughter went to the bank to get some deposit slips for her father who is ill. On leaving, she noticed a pile of bills lying on the floor, which she foolishly picked up and took home. We knew nothing until a few days later when she told us because she is nervous. Believe me, she got killed plenty from us. We teach our child never take what is not yours, but she swears she find it and not steal it, so here is back your money and please don't make no trouble."

The note was unsigned, but had this postscript: "For my girl is only 15 years old."

It developed that a neighborhood businessman had dropped the $2,000 in the lobby that Thursday morning. He offered a $50 reward to the finder—when, as and if she's found. The bank added $100.

The first job, of course, was to locate the writer of the note, and at last reports that hadn't been done.

### An Alaskan Viewpoint

BANKING'S mail from Alaska isn't burdensome, to say the least, so we opened rather eagerly the fat envelope from HARVEY G. BROWN.

MR. BROWN, president of the Alaska Bankers Association, until recently was vice-president of the First Bank of Sitka; now he's executive veep of the First National Bank of Juneau. As editor of the news bulletin published for his ABA (by the way, Mr. B., we haven't seen a copy in some time), he has enlightened his public with crisp reports on the life of a banker in the land of Dangerous Dan McGrew. BANKING has occasionally borrowed from his highly readable output.

MR. BROWN'S envelop contained a note and an article, the latter about an imaginary meeting of an imaginary bank's imaginary staff. The boys are talking over some of the newfangled gimmicks in competitive banking. Their conversation is brisk and, in spots, nostalgic. The nostalgia wins out as you'll note in reading pages 57 and 58.

We turned the manuscript over to DICK ERICSON whose deft pencil dramatized a few of the situations in the narrative.

You'll enjoy Mr. B.'s note, too.

### July 4 Footnote

THE American Heritage Foundation announces that color copies of the illuminated reproduction of the Declaration of Independence made by the late Arthur Szyk are available at cost.

The Szyk Declaration was chosen by the Foundation as the top award for communities and organizations placing first in the 1952 National Nonpartisan Register and Vote competition. Descriptive folders are obtainable from the AHF offices, 25 West 45th Street, New York 36, N. Y.

### Junior Achievement Bankers

THREE awards for the best 1953 annual reports issued by the more than 50 Junior Achievement banks throughout the country were made

"Will you please send over your rolling teller? I want to cash a check."

by a committee recruited from the staff of the American Bankers Association. The winners:

First, THE LITTLE DETROIT BANK, sponsored by The Detroit Bank; second, THE FIRST OHIO JUNIOR BANK, sponsored by The Society for Savings, Cleveland; third, THE NORTHSIDE JUNIOR ACHIEVEMENT BANK of St. Louis, whose sponsor is The First National Bank in St. Louis. They will receive "national industry awards" and The Little Detroit Bank will enter the annual judging of JA company reports at the New York Stock Exchange next spring.

Selected by the committee as "outstanding" were the 1953 reports of the JUNIOR ACHIEVEMENT BANK OF ST. LOUIS, sponsored by the Bank of St. Louis; the JUNIOR ACHIEVEMENT BANK OF BOSTON, protegé of The First National Bank of Boston; and THE ACHIEVERS' BANK OF PORTLAND, Oregon, whose sponsor is the First National Bank of that city.

The JA banks are owned and operated by high school pupils. During the school year they provide financial service for the JA manufacturing and service companies in their communities.

The Achievers' Bank of Portland won the industry award for banking and its report attracted much interest at the recent Stock Exchange competition of JA company reports for the year 1952. Top honors for all the Junior Achievement companies in the country went to the Tasty Treats Company of Chicago, a JA concern that manufactured and sold salad dressing, and to the Kiln Kraft Company of Detroit, maker of ceramic trays.

It happened that girls were the top management in each of the winning miniature concerns, a circumstance that brought this observation from JOHN L. DEJONG, associate director of the A.B.A. News Bureau, who reported the judging for BANKING: "Looks as though the way for a man to attain affluence may change from marrying the boss' daughter to marrying the boss."

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*Economy—a reduction in the other fellow's salary and prices.*

A critic says the banking system isn't perfect—a conclusion he reached after talking with the loan department.

*Every nation agrees excessive armaments lead to bankruptcy, so each one wishes to become as bankrupt as the other.*

The human race has improved everything except people.

**Mary Galneder, president of The Little Detroit Bank, and Raymond T. Perring, president of The Detroit Bank, holding the national award plaque presented by Junior Achievement for the best annual report submitted by a JA bank**


THE fluttery little lady, with the feathers bobbing on her modish hat, teetered on her high heels in front of the teller's window and asked, in a hesitating manner, if she might know the balance in her checking account. The teller called the bookkeeping department and got the information that there was now a balance of $53.75.

"Well, how many checks do I have out yet?" asked the questioner, anxiously.

"I'm sorry; we don't have that information," said the teller politely.

"But I've got to know. Every month you folks get me all mixed up in my account, just because you simply won't pay my checks in the order I write them. I just don't understand why you won't handle it that way for me, especially when I number every one of them so carefully. If you would just check and see if Number 15 has come in and been paid before you pay Number 16, it would be such a help!"

"I'm sorry, Mrs. Simpson," said the teller. "You see, we must always pay the check when it is presented, if the money is in your account, unless you have stopped payment on it."

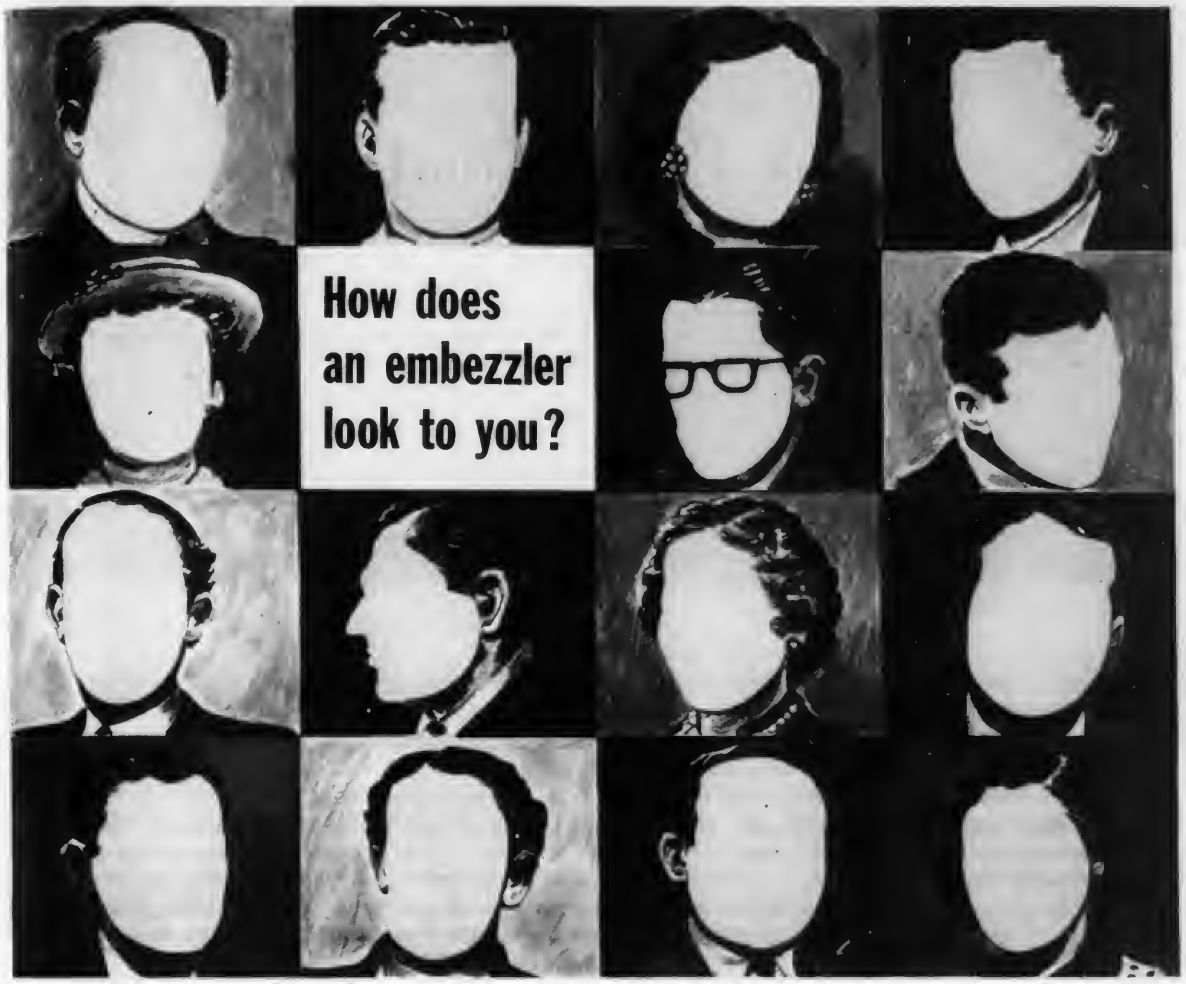
"But my case is different," said the flustered customer. "I pay my bills according to how long they have been running—the oldest ones first. And naturally I figure that the first check out will be the first one in. Now I've had this big bill at the Bon Ton for over three months and they were beginning to get a little nasty about it—so this month I wrote that check first—and it nearly cleaned my account out. I very carefully numbered it "1," and then wrote my other checks. And then your bank messed everything up by paying a lot of the *later* checks first, so there wasn't enough to pay that big *first* check, and it didn't get paid, and now I'm in awful trouble with the Bon Ton and my husband is just furious."



THEN there was the manufacturer's payroll clerk who had a labor-saving idea—for himself, and for the bank, too, he explained. His plan was to deposit in a separate, new account, the total of the payroll just before the checks were delivered to the workmen. The checks would be presented against this account, and when they were all paid, the account would be automatically closed.

The clerk taking his account tried to explain to him that opening and closing an account every two weeks would be quite a burden on the bank, but he couldn't see why it made any difference whether his firm had 24 accounts each year or just one running from month to month. "It would be much easier for me to handle it this way," he explained, "because, when the checks had all been presented and paid, the account would show a zero balance, and whatever came in after that would be charged to a new account and I would never have any trouble balancing my firm's bank account; every payroll would be separate for each two weeks' period."

BELLE S. HAMILTON




Unfortunately, an embezzler looks just like other people. He may be fat or thin, tall or short. She may be jolly and talkative, or solemn and reserved. You recognize them only by what they do — and, these days, the sky's the limit.

That's why you should make sure that your Bankers' Blanket Bond is large enough to give you the margin of safety you need. An adequate Bankers' Blanket Bond is your only *sure* protection against embezzlement as well as many other types of loss.

To help you determine the amount of coverage you need, your Indemnity Agent will be happy to give you a handy Bankers' Automatic Calculator. With it, you can easily find the amount of coverage you require, as recommended by the American Bankers Association. This convenient device also enables you to compute automatically the monthly amortization charge on a large selection of loan amounts at four different interest rates.

Ask your Indemnity Agent for your free copy of the Bankers' Automatic Calculator and talk over your BBB with him.

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*PIONEERS IN PROTECTION—SERVING WITH 20,000 AGENTS IN THE PUBLIC INTEREST*

# Your Press Relations

*On this page each month members of the working press talk over a practical question on bank press relation... Send us YOUR question. We'll submit it to an expert or two and you'll get the answer here. Your name and the bank's will be withheld if you so desire.*

**QUESTION**

**Recently a local newsman heard independently that there was to be an important change in the top management of our bank. I felt that he was entitled to a "beat," but other officers overruled me and released the story to all papers. Was I right or were they?**

J. A. LIVINGSTON, financial editor, Philadelphia *Bulletin*, and writer of syndicated column, "Business Outlook."

THE newsman should have his beat.

A newspaper has nothing to sell except news. When a bank or a corporation asks a newspaper not to print something, it is, in a very real sense, interfering with the business of the newspaper. How would a banker feel if a newspaper man suggested holding up a loan?

To be sure, it makes sense for a bank or a corporation to try to treat all newspapers alike in making announcements. But equal treatment is impossible in cities in which morning and afternoon newspapers compete. A release for the afternoon paper discriminates against the morning paper and vice versa. Some banks and corporations alternate their releases for a. ms. and p. ms.

I apply these standards when banks or corporations suggest that news be temporarily withheld: Does the information affect the public or a large group of employees? Will anybody benefit materially or financially from the withholding of the news?

Delays in publication can be justified by special circumstances. If an assistant vice-president is about to be promoted to vice-president, and the bank wants to make the announcement for internal consumption first, a delay in general publication doesn't transgress good journalism. The stock of the bank wouldn't be affected. Nor would employees, stockholders, or the public. The event—the change—isn't really important news.

On the other hand, replacement of the president of a bank affects employees, depositors, and stockholders. It is news, calling for immediate publication in spite of the preference of bank directors for time to wrap it up in a nice public relations package.

If financial editors make a practice of withholding or delaying publication of important news, they will lose the respect of the very persons with whom they court favor. The banker will reason: "If Jones will hold out news for me, presumably he'll do it for Smith, too. I wonder if he's printing all I ought to know."

A policy of prompt publication applies particularly to bank mergers. Bank officers and directors want to hold such news until everything is signed, sealed and approved by the Superintendent of Banks and the Comptroller of Currency. But a merger affects the price of a stock. It affects the jobs of employees. It affects depositors of the merging banks, and is of great interest to other bankers. The news demands prompt publication regardless of warnings that the time isn't ripe and publication will upset the deal.

If the merger plan is so tenuous that publication will upset it, then publication is the best thing for it.

J. A. Livingston

## Royal Appointment

PIETER A. CRAMERUS, assistant manager of the foreign department of Second National Bank, Houston, has been named as The Netherlands' consul in Texas by Queen Juliana of Holland.

MR. CRAMERUS has an interesting background. He came as a Dutch citizen to the United States for fighter pilot training in World War II. He came back in 1945 to stay, married, and became an American citizen in 1949. He holds numerous medals and honors for his air exploits. He was captured by the Japanese when they invaded Java in 1942, and escaped by plane to Australia where the escape plane was shot down on the Australian coast. MR. CRAMERUS, although wounded, walked for five days and four nights to get help for the others in his crew.

## Good Neighbor

The UNION DIME SAVINGS BANK, New York, is continuing its policy of sponsoring the 2-hour daily luncheon concerts of recorded music in Bryant Park at the rear of the New York Public Library. There beneath the plane trees, the concerts are presented Mondays through Fridays all summer long. An official release from the Library notes that the "concerts are financed as a community service by the Union Dime Savings Bank, neighbor to the Library."

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**Mary Kathryn Forrest, editor of the Republic *Rambler*, house organ of Republic National Bank, Dallas, receives award for first place in an editorial contest sponsored by Dallas County Chapter, American Red Cross. The award is presented by Ralph Wood, president of the chapter**

# Heard Along Main

*This department is compiled by* THEODORE FISCHER OF BANKING'S *staff.*

Broderick Haskell

Ivy W. Duggan

John H. Roach

Ruth E. Sherrill

### Purloined Courtesy

ON a recent Monday morning, every teller's window and every publicly visible desk in every office of the BANK OF AMERICA blossomed with a cheery little sign reading: "Service and Courtesy; we strive to give you both."

The bank was pleased with the effort. But suddenly the new signs began to disappear with amazing rapidity. And with equal rapidity they began to reappear; not in the bank, but in stores, factories, and offices of the bank's customers! So many of the signs were "adopted"—the bank's word for it—that BANK OF AMERICA issued a statement: "It appears that the country may be in the mood for a resurgence of friendliness in business dealings, particularly at the retail level."

So the bank hastily reordered thousands of the cards—says it is determined to remain identified with the courtesy drive it initiated.

BRODERICK HASKELL has resigned as a vice-president of Guaranty Trust Company, New York, to become vice-chairman of the board of Combustion Engineering, Inc. He had been a member of the board and of the executive committee at Combustion. MR. HASKELL is a graduate of the Massachusetts Institute of Technology and was active in engineering for several years before entering banking.

IVY W. DUGGAN has been named a vice-president of the Trust Company of Georgia, Atlanta. MR. DUGGAN had been serving as Governor of the Farm Credit Administration in Washington since 1944.

JOHN H. ROACH, vice-president and secretary of Franklin Savings Bank, New York City, has been elected vice-president of the Savings Bank Life Insurance Council, succeeding ROWLAND R. MCELVARE, who recently retired.

RUTH E. SHERRILL, assistant vice-president of the First National Bank of Memphis, succeeded to the presidency of the Association of Bank Women when CATHERINE B. CLEARY resigned that post to become Assistant Treasurer of the United States. MRS. SHERRILL had been vice-president of the organization.

These promotions have been announced at the First National Bank, Orlando, Florida: CHARLES W. EARLE, vice-president; I. A. MAYFIELD, senior vice-president, S. M. FISKE, vice-president and cashier.

B. K. PATTERSON, president of the St. Joseph Bank and Trust Company, South Bend, Indiana, was honored at a surprise party by officers and employees of the bank. He received an engraved cigarette lighter and a 4-tier birthday cake which he cut in the presence of the mayors of the two largest communities served by the bank.

W. H. PUGH, assistant vice-president of the Texas National Bank of Houston, has been appointed manager of the bank's instalment loan department.

**At the conference of presidents of the Federal Reserve banks, at the Federal Reserve Bank of Richmond, clockwise around the table are: Frederick L. Deming, first vice-president of the Federal Reserve Bank of St. Louis, in place of President Delos C. Johns; Alfred H. Williams, Philadelphia; Allan Sproul, New York; H. G. Leedy, Kansas City; C. S. Young, Chicago; Hugh Leach, Richmond; C. E. Earhart, San Francisco; R. R. Gilbert, Dallas; W. D. Fulton, Cleveland; Malcolm Bryan, Atlanta; J. A. Erickson, Boston; and Oliver S. Powell, Minneapolis. The conference meetings on June 8 and 9 were the first ever held at the Richmond 'Fed' and among the few held outside Washington**

# Street

W. W. OVERTON, JR., chairman of Texas Bank and Trust Company, Dallas, has been named national membership and fund chairman of the American Red Cross.

## Rathje Mutual Chairman

FRANK C. RATHJE, president of Mutual National Bank of Chicago since it was organized 35 years ago, has been named chairman of the board. He is succeeded as president by HARRY A. FISCHER, formerly executive vice-president. EDMUND D. O'CONNELL, vice-president and cashier, becomes executive vice-president; JOHN W. ADAMS, vice-president, assumes the additional duties of cashier.

MR. RATHJE, who is also president of the Chicago City Bank and Trust Company, is a past president of the American Bankers Association; president of the Transportation Association of America; and president of the Union League Club of Chicago.

## Reward

THE FIRST NATIONAL BANK OF LEESBURG, Florida, has an advertising sign bordering right field at the Venetian Gardens ball park. The bank has now offered a reward of $5 to any member of the local Leesburg Lakers who knocks a home run over the sign.

ALLEN CRAWFORD, of Detroit, has joined the Alton (Illinois) Banking & Trust Co. as trust officer. MR. CRAWFORD was president in 1949 of the Financial Public Relations Association and in 1948-49 was a member of the Public Relations Council of the American Bankers Association.

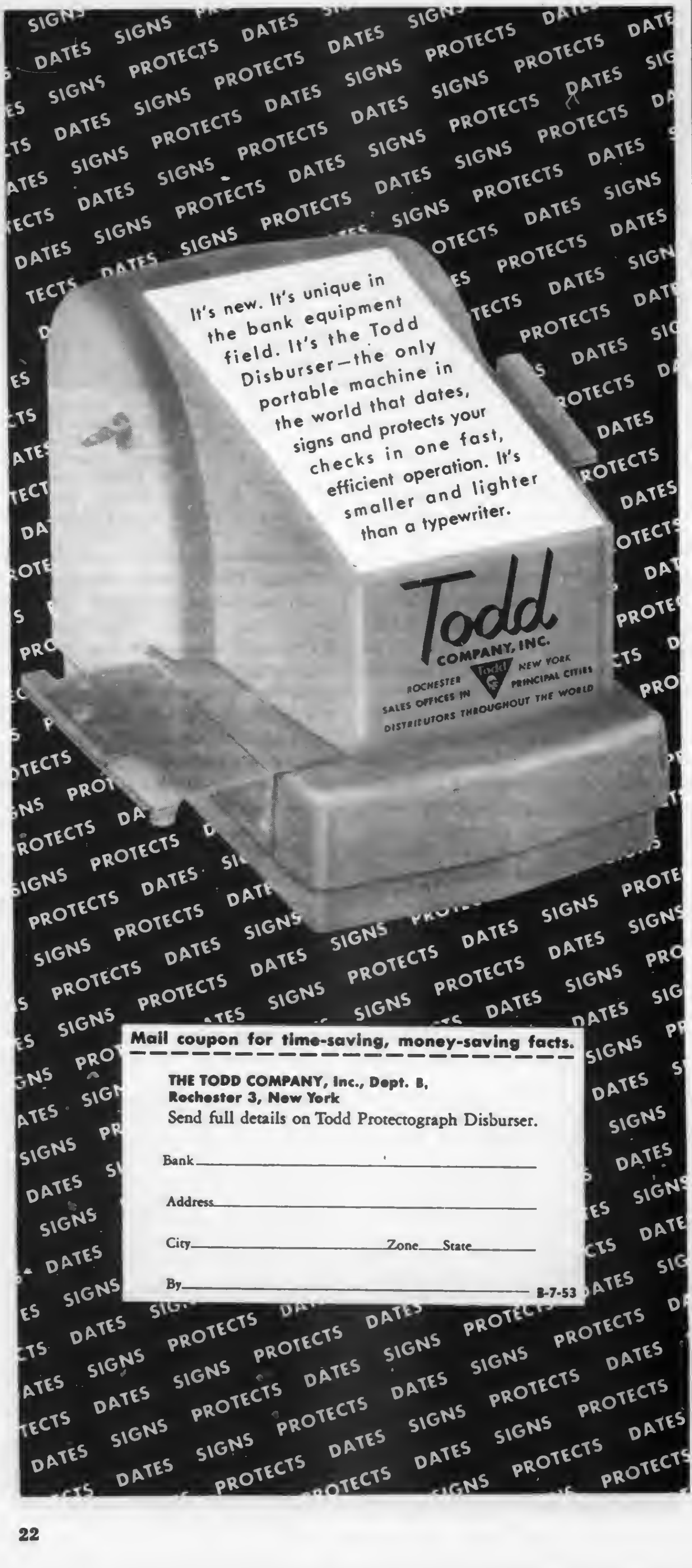
FIRST NATIONAL BANK IN DALLAS bought 15,000 tickets to the city's biggest baseball party and distributed them to senior and junior high school students. The "party" was a regular Texas League game between the Dallas Eagles and the Beaumont Exporters and was held in the Cotton Bowl. Baseball wasn't the only entertainment as there were personal appearances by a number of movie and television stars.


**Because every employee of First Bank and Trust Company, Perth Amboy, New Jersey, is enrolled in the payroll savings plan for purchase of U. S. Defense Bonds, the Treasury Department presented its award pennant to the bank. Standing, left to right: R. A. Glennon, State Director of the U. S. Treasury Department; Joseph T. Hines 3d; J. C. Wilson, bank president; John A. Dudor, assistant vice-president of the bank. Seated, left to right: the Misses Dannta Magryta, Helen M. Witt, Dorothy M. Silakowsky, and Jean L. Faraca of the First Bank and Trust Company**

The WILMINGTON (Delaware) TRUST COMPANY has looked back into history and published a booklet about what was going on 50 years ago—the bank was formed in 1903. A portion of the booklet is devoted to present-day facts about the bank.

When the Berwick (Pennsylvania) *Enterprise* published its 50th anniversary issue, THE BERWICK BANK was also observing its 50th anniversary. In a full-page ad, the bank reproduced a small ad which it ran in the paper's issue of April 24, 1903. It showed a lady, in the fashion of the time, and this text: Matrimonial—A young lady, clever, accomplished, with ample income, seeks acquaintance of a man of marriageable age; must be handsome, warm-hearted; prefers one who is

**The current and four past chairmen of the District of Columbia Savings Bonds Division were honored by the Optimist Club of Washington for their contributions to the community and national welfare. The men have spearheaded the sale of nearly $2-billion in Government securities in the Capital since 1941. Left to right: John A. Reilly, president, Second National Bank; Wilmer J. Waller, president, Hamilton National Bank; H. L. Rust, Jr., president, H. L. Rust Co.; Thomas J. Groom, president, Bank of Commerce & Savings, all past bond chairmen; and the present chairman, Edward C. Baltz, president, Perpetual Building Association**




Alfred H. Hauser H. O. Whiteside

sensible enough to keep a bank account with the Berwick Savings and Trust Company.

ALFRED H. HAUSER, vice-president in charge of the investment department of Chemical Bank & Trust Company, New York, has been elected a trustee of the American University of Beirut, Lebanon, largest American institution of higher learning outside continental United States.

HENRY O. WHITESIDE, former vice-president of the Gardner Advertising Company and member of the St. Louis Board of Education, has been named director of internal and external relations and supervisor of advertising of the Mercantile Trust Company, St. Louis.

DISTRICT NATIONAL BANK, Chicago, has opened a new drive-in window.

EDWARD B. HODGE, partner in a Philadelphia law firm since 1940, has been named trust officer of The Philadelphia National Bank.

RAY L. MILLER, vice-president of Mer antile National Bank at Dallas, has been appointed director of public relations, advertising, and sales promotion. Prior to joining the bank in August 1950, he was for four years regional director of field service operations for Texas and Louisiana of the Bureau of Foreign and Domestic Commerce of the United States Chamber of Commerce.

Edward B. Hodge Ray L. Miller

E. J. Thornton

E. C. Waters

ELEANOR JANE THORNTON has been elected an assistant cashier of The Citizens and Southern National Bank, Atlanta. She's fourth woman in the Atlanta area and the sixth in the C & S system in Georgia to become an officer.

ELEANOR CONNORS WATERS, of The Seaman's Bank for Savings, is new president of the Savings Bank Women of the Metropolitan Area, New York. She succeeds MARIE J. DARCY of Excelsior Savings Bank. Other new officers are: vice-president, MILLICENT TRICHLER, Dollar Savings Bank; secretary, ALICE PHILLIPS, Prudential Savings Bank; treasurer, PAULINE SUSSILLO, East River Savings Bank.

The formal opening of the completely modernized quarters of CITIZENS BANK, Pikeville, Kentucky, was greeted by a special Citizens Bank Edition of the Pikeville *Daily News*.

J. EDWARD MCGOWAN, manager of the real estate division of the National Bank of Detroit, has been elected vice-president and assistant trust officer.

### Doctorate for Tapp

JESSE W. TAPP has received an honorary Doctor of Laws degree from his alma mater, the University of Kentucky. MR. TAPP, nationally recognized as an agricultural authority, is executive vice-president of Bank of America, San Francisco; a member of the Agricultural Commission of the American Bankers Association; and a member of President

(CONTINUED ON PAGE 26)

J. E. McGowan

Jesse W. Tapp

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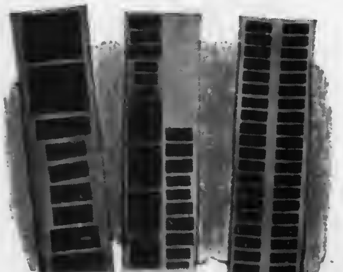

### 3 FILM PATTERNS

Both sides of records may be photographed simultaneously with images side by side; one side may be recorded on half the film width, running images down one side of film and up the other; single sides can be recorded on full film width.

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## SEE HOW YOU CAN SAVE WITH MODERN BURROUGHS MICROFILMING

Rarely can the replacement of out-of-date equipment pay off as handsomely as in the case of microfilming! Here is the kind of saving you can expect with new, modern Burroughs microfilming.

The use of 8 mm photography on 16 mm film doubles the number of images per foot of film. The high reduction ratio (37 to 1) adds to the saving. Film costs are slashed as much as 80% in many cases. The savings in film costs alone can pay for the new equipment! And the photography itself is superlative for its clarity and contrast—your assurance of legibility that prevents errors.

With Burroughs, you *own* the equipment . . . you don't have to rent. And your equipment is the most modern available—made by Bell & Howell, sold and serviced by Burroughs. There are 25 Burroughs processing stations for fast, expert developing of your film, over 600 Burroughs service centers to keep your equipment at peak performance—wherever you are.

Your Burroughs representative has factual data for your consideration, and can give you immediate delivery of the equipment. See how you can save—call him today! Burroughs Corporation, Detroit 32, Michigan.

*In Canada:* Burroughs Adding Machine of Canada, Limited, Windsor, Ontario

**New Acro-Feeder**

Sensational new Acro-Feeder gives fast, automatic feeding of intermixed documents such as sales tickets and customer statements, as well as of checks, with maximum accuracy.

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Burroughs

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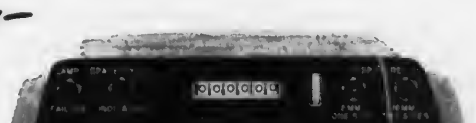

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## MAIN STREET (Continued)

Eisenhower's National Agricultural Advisory Committee.

The June issue of *Fortune* contained feature articles on two bankers. W. RANDOLPH BURGESS, Deputy to the Secretary of the Treasury and former vice-chairman of National City Bank of New York and former A.B.A. president, is subject of "Mr. Burgess vs. the National Debt." JOHN J. MCCLOY, board chairman of Chase National Bank, is subject of a one-page "Portrait" with his portrait in full color on the facing page.

### S. C. Waugh Goes to State Department

SAMUEL C. WAUGH, president of First Trust Company, Lincoln, Nebraska, has been named Assistant Secretary of State for Economic Affairs. MR. WAUGH is a former president of the Trust Division of the American Bankers Association and at the time of the appointment was a member of the A.B.A. Economic Policy Commission.

In entering the State Department, Mr. Waugh follows in the footsteps of his father, SAMUEL WAUGH, who also was a Nebraska banker and who served as a vice consul in the State Department for three years beginning in 1876.

MR. WAUGH is taking a leave of absence as president and director of First Trust Company.

He has been quoted as favoring a policy of freer trade between the

(CONTINUED ON PAGE 110)

Samuel C. Waugh

A BANKING REPORT

BANKING

JULY 1953

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

# Business and Credit Outlook Generally Good

## Tempered with a Few "Ifs" and "Buts"

"FAVORABLE—except for special situations—is the business outlook for the balance of 1953, according to bankers' opinions." This statement was made by Fred Florence, president of the Republic National Bank of Dallas, Texas, and chairman of the Credit Policy Commission of the American Bankers Association, in announcing the results of a semiannual sampling of bankers' opinions. Approximately 200 well informed bankers situated in every principal trade area participated in the survey for the purpose of gathering first-hand information relating to existing conditions and future trends affecting the extension of bank credit.

"Business activities," according to Mr. Florence, "generally continue to roll along at a rapid pace, with no immediate indication of slowing down. To a great extent the defense and defense-related activity still continues as the primary support of the nation's economy, and it will continue to be despite any proposed cutback in governmental expenditures. It is reasonable to expect, however, that some industries will suffer some setbacks due to unexpected situations. Marginal operators, concerns with heavy inventories and accounts receivable, or those with lack of experience may suffer from the effects of more active competition and increased operating costs. The prospects generally for the balance of the year, nevertheless, appear to be good unless international, political, or economic forces should unduly upset present trends. Despite a tightening of the money market, demand for bank credit will continue to be relatively high for the balance of the year. Bankers are recognizing that the postwar boom cannot continue forever and that now is the time to adopt policies intended to correct unsatisfactory operations and to strengthen their lending and collecting procedures. While credit might appear tight, bankers, nevertheless, are taking adequate care of customers. Interest rates have been or are being adjusted at the present time to conform to the recent increase in the prime rate. It is expected that, should a recession occur, the Federal Reserve possibly may relax its policies to ease the money situation. Inventories at the present time seem to be generally in balance, with the exception of those of manufacturers engaged in the defense work where heavier inventories are to be expected. The construction industry should continue at about the same level as at the present time, with indication of a tapering off on housing construction in certain areas of the country.

"From this survey, it appears that the over-all credit position of the country is sound. However, bankers must continue to be alert to any quick change which might alter the situation."

•

The survey included nine questions. Summaries of these questions follow, after which come comments divided according to Federal Reserve district.

# Summaries of Answers to Nine Questions

### (1) Do you expect the demand for bank loans in your trade area to be greater or less in the last six months of 1953 as compared with the last six months of 1952?

THE demand for bank loans, according to the nation's bankers, will continue at current high levels, or better, in the second half of 1953. This opinion is predicated upon (a) continuation of expenditures in connection with the defense program, (b) high level of industrial production, (c) continuation of capital expenditures for purposes of plant replacement and expansion, (d) necessity to support inventories in those industries where inventories have become heavy, and (e) continued heavy demand for borrowings from instalment finance and small loan companies to support the present large consumer credit outstandings.

Only 22 percent of reporting bankers felt the loan demand would be less as compared with the last six months of 1952.

### (2) Are there any particular types of loans in your trade area which you expect to show a different trend than a year ago?

OPINION is rather pronounced as to whether any particular types of loans will show a different trend from a year ago. In those areas where such a trend was indicated, the feeling was strong that applications for mortgage and construction loans would decline. Doubt was expressed as to whether or not the increase in the GI and FHA rate would prove an impetus to mortgage financing activity. Farm loans also are expected to decline because of the uncertainties of the market. Cattlemen, who, as a class, are extremely realistic, anticipate that this year fall sales will clean up seasonal borrowings and there will be little demand for money to hold calves over for a better spring market.

Credit lines to prime defense contractors are expected to run off for the most part by the yearend as backlogs level off and expansion plans are completed. Inventory loans to automobile and appliance dealers and distributors may show some slowness in the second half of the year as stocks accumulate. On the other hand, instalment loans are expected to remain good in the light of anticipated continuation of the high level of employment.

### (3) Has there been any evidence in your trade area of a change in delinquencies on any types of loans?

BANKERS have not, thus far, incurred any abnormal experience with delinquent bank loans. All seem agreed, however, that greater care in the extension of credit is needed to prevent the development of such a situation.

Most areas indicated some slowness in meeting consumer payments, particularly on appliances, used cars and TV financing. Merchants, generally, both retail and wholesale, report an increasing slowness in collections. However, so far delinquency has not reached a serious point. Higher percentage of rejections of applications and increased collection efforts are keeping the situation in hand.

### (4) Has there been an appreciable tightening of bank credit in your trade area in recent months? What is the outlook in this respect for the last half of 1953?

THE Government's present fiscal and monetary policies have created a tight money market. As a result, banks generally have adopted a more selective lending policy. The majority of bankers report that they are conducting a more thorough screening of loan applications in relation to creditworthiness, eliminating any speculative or "free riding" loans. Whether or not bank credit will continue to be tight for the last six months of 1953 will depend to a great extent upon the Administration's future policy. Any indication of weakness in the economy might very well result in relaxing of its present policies. Some bankers anticipate a decline in bank deposits which would increase the need for more selective lending policies and also for the purpose of maintaining necessary liquidity. However, it was pointed out that the present selective policy was not interfering with the granting of credit for worthy purposes to customers.

### (5) What are the possibilities of an increase or a decrease in the average rates of interest on various types of bank loans in your trade area for the last half of 1953? Or do you expect no appreciable change?

TWO out of three of the bankers participating in the survey anticipated an increase in the average interest rates on various types of bank loans for the last half of 1953. Recent increases are attributed to the adjustments needed in order to conform with recent increases in the prime and rediscount rates. A further increase in basic rates is expected if the present tight money policy of the Federal Reserve continues.

### (6) What are the present conditions of inventories in the hands of manufacturers, wholesalers,

**and retailers in your trade area? Are they overstocked, understocked, or in balance?**

INVENTORIES are being well controlled as a whole and do not seem to be out of balance with current needs. Almost without exception, however, concern was expressed in all areas on the tendency to overstock in the durable goods line. Automobile, appliance, and farm machinery inventories, especially, were indicated as weak spots.

**(7) What is the outlook for home and other construction in your trade area during the last half of 1953?**

THERE appeared to be a somewhat equally divided opinion among those reporting as to the volume of home construction during the last half of 1953, with a very small majority indicating that it should be at least as high as in 1952. Except for a few areas where the housing shortage remains a problem, it is generally felt, however, that home construction has passed its peak. There has been a noticeable slowdown in sales of houses and an increasing tendency on the part of buyers to shop around more than was formerly the case. Building costs for new homes have not declined, but resales of older houses have been at lower prices than a year ago. Other construction, including new and expanded plants, schools, public buildings, roadways, and bridges, is expected to continue at a high level.

**(8) Give your opinions in some detail as to business conditions generally in your trade area and as to the prospects for at least the last six months of 1953, with particular attention to three or four of the more important industries or types of business.**

THE outlook for the next six months is that business activity generally will continue at current levels or better. All types of manufacturing are expected to flourish and no change in trend is indicated as long as defense spending continues at its present pace. Employment is at a high level, with labor problems relatively insignificant. The future, however, is less certain beyond 1953. Some weak spots are in evidence, mainly in the hard goods lines, with particular emphasis on automobiles and appliances. Farm income is expected to be lower, and this will have an adverse effect on certain types of activity, perhaps reducing the sales of farm equipment. Only 22 percent of the bankers reporting felt that the present plane of business activity would decline for the next six months, mainly because of decreased prices of agricultural products and general tightening of money policy.

**(9) Have any credit developments in your trade area raised any question in your mind as to the soundness of the over-all credit situation?**

THE great majority of bankers reporting feel that the over-all credit situation does not indicate any immediate cause for alarm. There are many instances where banks are extending too large amounts of credit to marginal risks which in recession could result in losses. However, bankers seem to be very realistic in their approach to the extension of bank credit, especially in regard to consumer credit, and are carefully screening all loans as to soundness and ability to pay in accordance with terms. Merchants who do a credit business are also becoming more alert to the same circumstances. The gradual transition from a seller's to a buyer's market will undoubtedly place a financial strain on some businesses, particularly those that are fairly new and which did not make adequate preparation.

## REPORTS by DISTRICTS

### Boston Federal Reserve District (1)

BUSINESS conditions generally in this Federal Reserve District are good and should remain that way for the last six months of 1953. The textile industry is having a good volume of business at the present time and this will continue through the year. Profit margins, however, are narrow, and competition is such that it looks as though this condition will continue to prevail for some time.

The textile machinery business has improved somewhat. Other consumer goods industries seem to be active, including shoes. Those firms doing defense work have a good volume of business booked ahead. The electronics industry, which has developed rapidly in this area, is particularly busy. Fishing, dairy farming, poultry raising, and the recreational business all have fair to good prospects for the balance of the year. The market for lobsters is high and the fishermen are receiving a good price for ground fish.

Bank credit has been appreciably tighter than during the same period in 1952 and the prospects are that it will continue to be for the balance of the year. There has been increased pressure upon city banks from country correspondents to participate in loans. In some cases, correspondents have extended consumer loans to a high degree and reduced their free funds. Notwithstanding, it is the opinion that all legitimate credit requirements in this trade area will be met. However, credit will continue to be subjected to careful scrutiny in view of the unsettled political and economic conditions prevailing, and the major position occupied by the credit grantors in the current boom.

Generally, in this Federal Reserve District, it is anticipated that the demand for bank loans will be as strong as in the last six months of 1952, perhaps even 5 percent to 10 percent more. This demand is supported, in part, by the large volume of defense and defense-related business. However, lower commodity prices for many items and an expected slackening in business spending, with less likelihood of inventory building, together with the dampening influence of higher interest rates, will have their restraining influence on loan demand.

There has been no particular change in delinquencies, although a few have indicated some slowing up in collections. Increased collection efforts, no doubt, have been responsible for producing a satisfactory experience which, to some extent, is better than in 1952. There is some indication, however, that the heavy first half tax payments strained the cash positions of many companies and resulted in the postponement of scheduled repayments of seasonal borrowings. This situation, however, is not viewed with alarm.

Interest rates have been, or are now in the process of being, adjusted upwards following the recent rise in the New York prime rate. Especially will there be adjustments in individual cases reflecting a growing reluctance on the part of bankers to accept certain types of business. The present outlook is that there will be no appreciable change from the revised levels, barring a further adjustment in the rediscount rate or the prime rate.

While there is a growing awareness of the generally high state of inventories at all levels of business, the picture, with a few exceptions, is still one with fairly good balance.

Construction contracts awarded in the New England states for the first four months of 1953 exceeded the period in 1952 by approximately one-third. Substantial gains were recorded for all types of building, so the construction industry should be busy during the last half of 1953 completing projects now under way.

Generally, there have been no credit developments which would seem to affect the soundness of the overall credit situation. There are exceptions, however, in certain areas. There have been indications that a number of manufacturing firms do not appear to be in any strong financial position to weather any sudden or prolonged recession and they present a more or less constant credit problem. There have been indications of capital deficiencies among the smaller new companies.

In the consumer credit field, repossessions have been increasing. While it is felt that this is largely a seasonal factor, trends are being closely observed in view of the high total of consumer loans outstanding.

Conscientious credit officers cannot help questioning the soundness of the high level of debt now present in most segments of the economy. Generally, however, the over-all credit situation appears to be on a sound basis.

## New York Federal Reserve District (2)

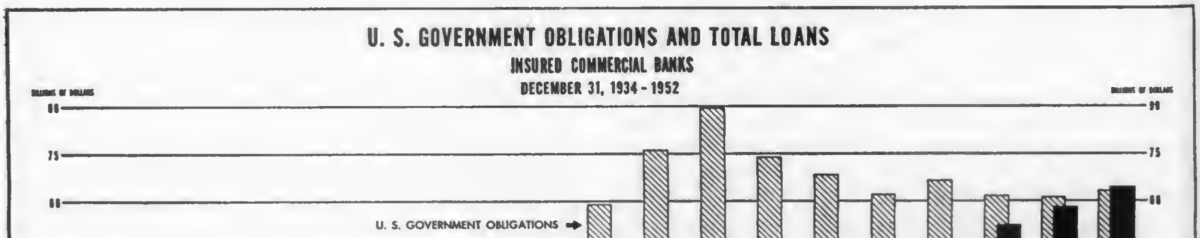
Business activity should continue at its present high level until at least the end of the year. It seems reasonable to expect a period of adjustment in the next six months, during which the transition from a seller's to a buyer's market will grow more pronounced. Plant expansion, coupled with defense production and a pickup in cotton textiles, should carry on a good over-all payroll through 1953.

There appears to be some tightening of bank credit in this area, and banks are stressing quality of loans rather than quantity. They have adopted a very selective policy. It is anticipated that this policy will continue, depending, of course, on the policies of the Federal Government and the Federal Reserve banks. Part of this tightening might be more accurately described as the result of a more careful scrutiny of loan applications.

Generally, in this Federal Reserve District, it would appear as though bank loans would continue to be strong for the balance of the year, and at about the same level or perhaps at a slight increase over that for the corresponding period in 1952. A few bankers, however, felt that there might be some decline to a moderate extent. It is believed that consumer credit might show some decline during the next six months. This is likewise true in connection with real estate mortgages, as there appears to be some overproduction in housing.

Loans to instalment finance companies also are expected to decline. This results from the present tightness with respect to bank and insurance company credit and the fact that consumer credit has reached such a level that the banks and finance companies are attempting to restrain a further rapid expansion in this field by more restrictive terms and increased selectivity of risks.

It is anticipated that some slight increase will take




FDIC REPORT NO. 38

place in delinquencies on instalment loans, although many reported that there has been no particular change. Increased collection pressure was responsible for maintaining or minimizing the percentage of delinquencies.

There has been a slight increase in the interest rates on bank loans and it would appear that these rates will continue through the balance of the year without any further appreciable change. In some communities in this district, rates have not been adjusted entirely to correspond with the increase in the New York prime rate. There has been some effort to get away from the prime rate to large borrowers who have not maintained commensurate deposits, but so far this has not been accomplished to any great extent.

Inventories for this Federal Reserve District for all levels appear to be in fairly good balance, based on sales volume. However, there appears to be an overstocked situation in relation to automobile and appliance inventories of dealers.

In some areas, new home construction is approaching a saturation point. Many units are on the market awaiting prospective purchasers.

Although there have been isolated instances of credit problems, notably in the textile industry, the over-all credit situation may be considered to be healthy and there do not appear to be any unusual danger signals in evidence at the moment. The rapid expansion of consumer credit will bear close scrutiny in the months to come.

## Philadelphia Federal Reserve District (3)

BUSINESS conditions in this Federal Reserve District should continue good through the balance of 1953, with capital expenditures of business and defense and consumer spending remaining relatively high. A steel strike could change the situation somewhat. If automobile production should decline substantially in the last six months, it could have a chain reaction on some of the industries in this district which would lower business activity. Generally there does not seem to be any appreciable change here towards the tightening of bank credit. There continues to be good cooperation among the banks on financing customers, although there is less desire on the part of some banks to make loans where merely a sale of money is involved, with no permanent connection or other collateral benefits. It would appear that bankers generally are much more careful in the screening of loans in recent months and that this tendency should continue through the balance of the year. The demand for bank loans is likely to be greater in the last six months of 1953 than in the same period of 1952. The principal factors influencing this trend are:

(a) increased competition which will tend to force manufacturers more liberally to finance dealers and distributors;

(b) continued high capital expenditures which will require financing, and a

(c) possible increase in loan financing, principally for residential building.

There appears to be a slight increase in delinquencies, particularly time sales dealer paper. Personal loan collections continue to be satisfactory. There has been some increase in real estate mortgage loan delinquencies and a tendency on the part of some small businessmen in certain areas to ask extensions on notes due to slowness in turnover of inventory. A high percentage of rejections and increased collection efforts have been necessary to keep delinquencies within satisfactory proportions. Average interest rates on bank loans will increase progressively through to the end of the year. The amount of the increase will be determined largely by the policy of the Federal Reserve Board.

In this Federal Reserve District there is a greater than average diversification of industries. There does not appear to be any particular overstocking of inventory except in anthracite coal. Because of the warm weather and the decrease in export market, stocks of coal above ground have increased substantially, and producers are trying to work them off through dealers' plans to "buy now—pay next winter." There are a few dealers in the appliance field who are a trifle overstocked at this time but not in any serious proportions.

There have been no credit developments in this District that have raised any question as to the soundness of the over-all credit situation.

## Cleveland Federal Reserve District (4)

GENERALLY good business is anticipated in this Federal Reserve District for the last six months of 1953.

The Cleveland area is sharing fully in the unprecedented peacetime boom in durable goods production. However, some tapering off during the last half of 1953 can be expected. The steel industry has been operating above capacity, which should continue through the third quarter. Current tonnage output has been running 25 percent above a year ago. The automobile parts and tire industries are operating at near record levels. The machine tools industry also is producing at a very high level.

Credit has been tightening in this Federal Reserve District. Bankers indicate that they are screening new loans very carefully. Instalment credit is expected to be curtailed to a considerable degree by the tightening up of instalment credit terms. The demand for bank credit in this district will remain very strong during the last half of the year, and will probably be greater or more urgent than in the last half of 1952 as the tightness of credit becomes more generally realized by borrowers and potential borrowers. Many of the large industrial concerns in this area are completing expansion and improvement programs. Steel warehouses are beginning to get more steel, and a generally higher level of inventories is expected, requiring higher credit minimums. Textile prices are considerably lower, requiring lower levels of credit. Certain defense contracts and subcontracts may be completed without additional contracts forthcoming, thereby cutting down demand for bank credit. The trend of loans to metal and metal products concerns will probably be weaker than a year ago, as will demands for construction loans.

There has been no evidence of any serious delinquencies in bank loans in this district, although a slight increase in delinquencies has been observed in demand and mortgage loans. It might be said that, generally, delinquencies are at a minimum. Retail trades in some areas have reported a slowing tendency in retail credit accounts.

Average interest rates are expected to increase gradually as the effect of the higher prime rate filters through the entire loan portfolio of local banks. The tightness of funds is not as yet generally realized by all types of borrowers. Further rate increases can be expected and will be met with little resistance.

Inventories are believed to be in balance and geared to the present rate of sales.

The increasing difficulty in selling houses may curtail home building to some degree, but generally, home construction is expected to remain about the same as in 1952.

Credit developments in this Federal Reserve District appear to be healthy and sound. The action of the Federal Reserve Board in permitting freer interplay of the forces of supply and demand was reported as restoring confidence in the dollar, which is a fundamental condition necessary for the solvency of the country. However, attention was directed to the last rise in consumer credit, which should be carefully watched. There seems to be a tendency for longer terms and datings to appear again in various lines. This should be guarded against.

## Richmond Federal Reserve District (5)

Presently, business generally in this Federal Reserve District is good, but there are some unfavorable situations which will probably cause some decline in business towards the year-end. For example, in southern West Virginia coal mining is the principal industry, employing some 60,000 persons. Coal tonnage is down approximately 35 percent for the year as a whole, and tonnage will be off 25 percent to 30 percent as compared with 1952. Mines are presently working on an average of three days per week, with the wage contract expiring October 1, and the possibility of a strike looming.

On the other hand the chemical industry, and steel, glass, and ceramics industries in this state are operating at full capacity. The leaf tobacco dealers are conducting a very profitable season. The tobacco manufacturers should do better on account of the much needed price increase in cigarettes which took place on February 27, 1953. Consumer demand for cigarettes is expected to continue to increase as fast as, or perhaps ahead of, population increase.

There has been some tightening of bank credit in this Federal Reserve District, especially in relation to real estate and consumer loans. Business firms and individuals now owe more money to member banks than at any time in the past. The decline in bank deposits and the continuing demand for credit are forcing a more restrictive lending policy on the part of some banks in order to maintain their liquidity. It is indicated that more careful scrutiny will be given to applications, to the virtual elimination of credit for speculative activities and inventory expansion in the last half of 1953. Generally, it is anticipated that the demand for bank loans will be somewhat greater than in 1952, although this is not true in all trade areas.

It is expected that loans outstanding might be greater this fall than a year ago, due to the fact that they are starting from a higher base. In other words, the usual seasonal decline at this time of year has not materialized, while the fall demand for loans may be higher. The tightening in credit extended for used car financing will result in fewer loans, although the demand may continue. Demands for loans from small correspondent banks is much heavier than heretofore, according to two bankers. There are still quite a few companies moving plants into the South, and the demand for loans for equipment, and in some cases plant buildings, continues high.

Despite the high consumer credit demand, delinquencies are being held to very small proportions. General slowness in collection of receivables in the textile and furniture fields developed several months ago and is continuing, but not at any accelerated rate. Collection efforts have been greater and may be responsible for keeping down delinquencies. Since the most recent increases in the brokers' rate and prime rate, banks generally have been increasing other interest rates to conform to these. As new loans come in or renewals are requested, rates are generally being increased.

Inventories, generally, are in fairly good balance with the exception that in some areas used and new cars, and possibly lumber, coal, and some household appliances are heavy.

It would appear that in most trade areas in this Federal Reserve District there will be some decline in construction. However, some bankers expect home construction to continue at a high level. Some believe that the decline is due to difficulty in financing and the unwarranted hope that labor and materials will be cheaper in a reasonable future.

At this time there do not appear to be any developments in this Federal Reserve District to give concern as to the soundness of the over-all credit situation. It is felt that the recent tightness of money has had a salutary effect. There are, however, one or two weak spots which in particular should be watched. These primarily are the rapid increase in consumer credit and the high volume of heavy debt in relation to worth and working capital of some wholesalers and distributors. Margin profit is being cut fairly generally and loss of volume could hurt some companies badly. It is believed that caution is generally in order at this time and that bankers should be more diligent in their screening of loan applications and, from now on in, weeding out the weaker applicants.

## Atlanta Federal Reserve District (6)

The outlook for business generally during the balance of the year 1953 in this Federal Reserve District appears favorable. There are, of course, some industries which will not fare as well as others. The textile industry can change overnight, but at present it appears that this industry should fare better in the last half of 1953 than it did in 1952. The prices of agricultural products, including cattle, are much lower than they have been for the past several months. In spite of this, the farmer will, in general, have as good a year as last year.

The majority of bankers reported that in this Federal Reserve District there was a tightening of money. One stated that this was not due to an overloaned situation, but rather to the desire and necessity of being more selective. The demand for bank loans is expected to be at least the same, if not greater, as compared with 1952. Oil production loans are expected to go counter to the general trend of increased loans, and loans for the purpose of carrying securities are expected to decline. Demand for cotton loans likewise might be smaller than a year ago. Term loans and construction loans will be off in some areas.

There has been no marked evidence of any increased delinquencies in this Federal Reserve District. This applies to commercial loans as well as to instalment and real estate loans.

Based on present-day sales, inventories of manufacturers and retailers appear to be in balance. There is some doubt as to whether wholesalers are in the same position. It is possible they are a little on the heavy or overstocked side. A noticeable weak spot is that occupied by the automobile retailers, some of whom are finding it most difficult to move used cars.

This area is enjoying a normal home construction market, except in a few sections where housing is being constructed at a higher rate.

In general, there have been no credit developments in this area which have, so far, raised any serious question as to the soundness of the over-all credit situation. There are, of course, "sore spots" which must be watched—for example, corporations with relatively high inventories, or those operating at a loss or with relatively small profit margins. The high level of loans outstanding would indicate "food for thought." The policies initiated by the Treasury Department are certainly sound and are needed to check the inflationary trend. However, there is considerable doubt as to whether or not they have been moving a little too fast in drying up the available supply of money. If we should have any considerable downturn in business, there will exist the probability of a very rapid contraction of credit by banks and other lending institutions. This could have a rather serious effect on the entire economy. It would seem that the fiscal authorities should strive at present toward a condition of stability rather than to undertake rapid deflationary policies.

## Chicago Federal Reserve District (7)

Business conditions generally are excellent in this Federal Reserve District. Major strikes, however, could change the picture. Meat packers were reported as making some money, with tonnage up substantially, which should continue through the fall. Steel production outlook for the third quarter is high and the fourth quarter should be reasonably good. The automobile industry has been producing at a very high level during the first two quarters and sales seem to have been at high levels with little evidence of undue inventory accumulations by dealers. It would appear that present rate of production might be cut back to a total annual production for passenger cars of about 5,500,000 units or a little more. In some automobile lines, price cuts can be expected to supplement improved merchandising on all levels to permit steady production.

Companies producing consumers durable goods are reducing production from previous high levels. More aggressive competition and price cutting are in prospect for the second half. Nevertheless sales should continue at a good level as compared with the annual average for the past five years.

Employment is at a high in this district, but in some cases, it was reported, very little overtime is now being paid.

There exists definite evidence in this district of a tightening of credit which is expected to continue through the fall. There has been a disinclination on the part of some banks toward the acceptance of new borrowing accounts which are not accompanied by attractive deposit relations, as well as a more cautious and critical appraisal of credits. The tightening of credit, however, has not been sufficient to cause any lack of funds for any business enterprise which is deserving. The demand for loans in this Federal Reserve District as compared with last year will be a little higher. Demand will continue to be strong in some areas in mortgage and consumer credit fields but lower for livestock feeding and the financing of farm equipment purchases.

There has been no evidence of widespread delinquencies. To the contrary, repayments have held up surprisingly well. In fact, some banks and finance companies report that their delinquency ratios are lower than a year ago due to a more aggressive collection policy. Some tenant farmers, however, have asked for extension on part of their lines.

In this Federal Reserve District there has been a general hardening of interests rates on all types of credit following the recent change in the prime rate. There is likely to be some reclassification of borrowers at a higher interest rate category. Adjustments are being made as loans are renewed and as new ones are made. One banker indicated that the pressure to pay higher interest on savings accounts, which is occuring in some areas, might result in still further increases.

As a whole, inventories appear to be fairly well balanced. There are exceptions such as the inventories of some dealers in appliances, farm equipment, and used cars. This is also true in connection with some new car dealers as the result of manufacturers pushing more cars into dealers hands to force more aggressive sales programs. Potential inventory problems seem selective rather than general and are influenced considerably by popularity of brand names and type of product. There is some overextension in the heavy industry group due to the fact that shipments of raw materials have increased considerably in recent weeks and sales have slowed up a bit. Inventories of manufacturers are high where they have large defense orders. There also has been some forward buying in raw materials, particularly steel.

The outlook for home construction in this Federal Reserve District is generally good. It probably is about the same as last year's level but varies somewhat in different cities depending upon the volume of past construction. In some areas home building is approaching an overbuilt condition. Manufacturing and commercial construction, as well as that for schools and public works, will continue strong throughout the year.

There has been no pronounced or general indication of a softening of the soundness of the over-all credit position. However, there are situations that need watching. Some weak management situations are appearing and more intensive competition is expected to create additional problems. There is more frequent indication of merchandising concerns being under-capitalized. Some difficulties might result from tenant farmers who have recently been in the cattle feeding business. In some instances moderate-sized banks are extending too large amounts of credit to marginal risks, which in recession could result in loss. The very size of total loans outstanding, plus the continued strong demand, lead to the conclusion that special caution in the analysis of credits and a conservative outlook are in order.

## St. Louis Federal Reserve District (8)

CONDITIONS generally in this Federal Reserve District are good and the level of employment is high. While some painful price adjustments will have to be made, nevertheless it is inevitable that the volume of business, particularly in hard goods, is bound to decline. Prospects for the next six months in farm commodities depend upon size of crop, largely dictated by weather, marketing conditions influenced by the Government, and foreign market situations. Some areas report disappointing prospects for normal crops due to excessive rain.

There has been some tightening of bank credit in this district, although in many of the so-called "country points" this tightness is so far not present. A number of banks, in larger cities, are loaned up to over 50 percent of their deposits and are borrowing at the Federal Reserve Bank in fairly substantial amounts. There has been some decline in deposits generally and it is reasonable to assume that the tightness in the money market will continue for some months to come.

The demand for bank loans will continue at about the present level or a little higher until early fall, but in the fourth calendar quarter there should be substantial seasonal liquidation. In the cotton producing areas wide seasonal fluctuations of loans occur, largely determined by crop and market conditions during the fall months. There is a possibility that commercial banks will be called upon to advance large sums if cotton is traded freely and does not go into the Government loan. On the other hand, if the price of cotton is such that it will be advantageous for the planter to "sell" his cotton to the Government through the Commodity Credit Corporation route, then cotton loans would be far below those made last season, resulting in a substantial decrease in over-all loan demand.

In addition, there also may be a decline in demand for loans in other agricultural areas for the purpose of buying feed for cattle, if the crops are good this fall. In some areas there is reported an increase in instalment loans. While there are some minor instances of delinquencies showing up, these have not reached sufficient proportions to indicate a trend. Business is still at a high level and the instances of slow liquidation are still not a very important element in the over-all picture. Banks are "on their toes" and watching collections closely.

While there have been adjustments upwards in the interest rates in the larger cities in the area in keeping with the recent rise in the prime rate, this has not been generally true in the rural areas. Their rates change less, partly due to the fact that they have few large accounts which can demand a rate of interest comparable with the going prime rate.

Generally, inventories appear to be in balance, although there are indications of some overstocking. Strong pressure seems to be developing to push inventories into dealers' hands and some resistance is growing. It was reported that accumulation of inventories in hard goods lines and used cars has increased very substantially. Home construction has continued at a reasonably high level, but there is an undercurrent of feeling that we have reached and possibly passed the peak.

It is probably too early in the present cycle to uncover any serious credit situation in this district. However, it is reported that taxes, prices, large inventories, large accounts receivable, and the need for investing in fixed assets have all contributed to a depletion of working capital in many business enterprises. The break-even point is so high that a reduction in volume of sales could result in many operations becoming unprofitable.

## Minneapolis Federal Reserve District (9)

BUSINESS in this Federal Reserve District generally is good, and bank deposits and bank loans are at relatively high levels. Employment is at a very high level and so is wage income.

The development of oil production in western North Dakota and eastern Montana, the mining of taconite in northern Minnesota, and the reactivation of copper mining in the upper peninsula of Michigan have given an added stimulus to business.

The measure of prosperity for this district, however, is primarily dependent upon the continuation of a satisfactory farm income. Cattle and farm prices have weakened, while costs have risen. With the present prospects for a good crop, even though prices are lower, general retail business should continue good for the balance of the year. New cars are selling well but used cars are harder to move. There should be some decline in the sale of agricultural equipment.

There has been a moderate tightening of bank credit in recent months in some areas in this Federal Reserve District. However, while bankers are screening loan applications more closely, they are still willing to grant deserved accommodations. Barnyard farmers generally in the South Dakota area are reported as having borrowed to their limit and now are finding it tough going to get additional advances except for necessary expenses until after the banks see how crops turn out. Cattle feeders are also having trouble getting credit unless they have a substantial down-payment of their own to make or unencumbered land.

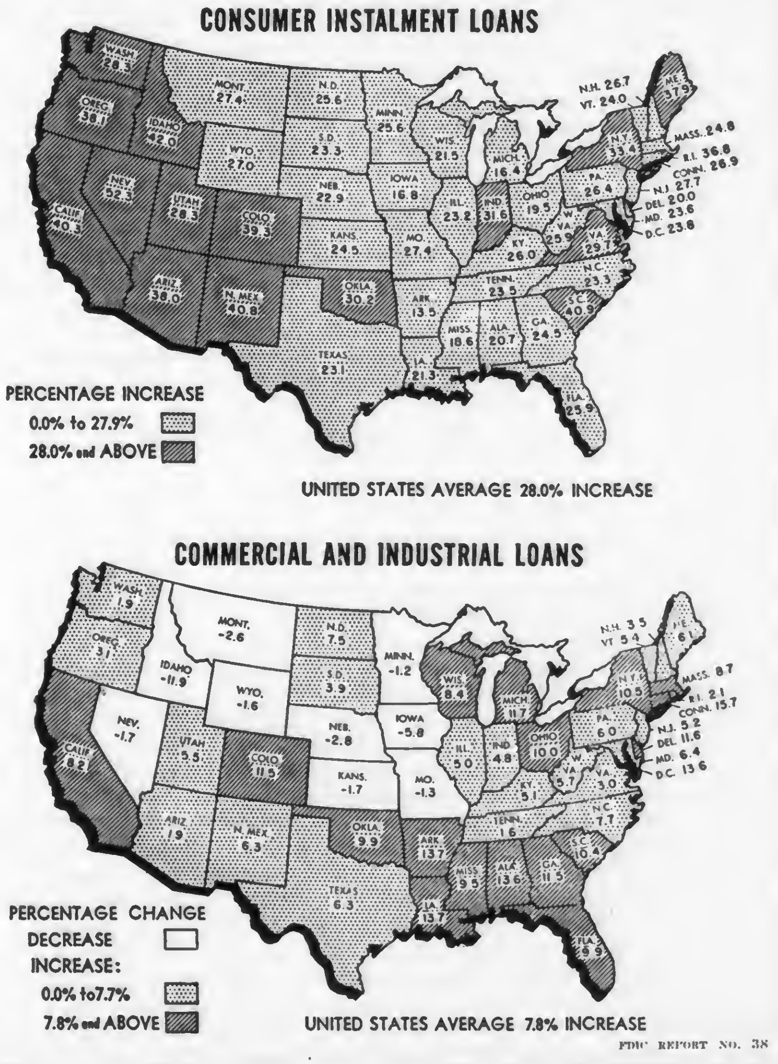
The demand for loans in this Federal Reserve District during the last half of the year will total the same if not more than a year ago. There is a difference of opinion as to how bank loans for agriculture may be this fall, especially if there is a large volume of CCC loans which are turned over to the Commodity Credit Corporation. Unless there is a substantial increase in price, a good share of the crop will go under the Commodity Credit Corporation, resulting in a decreased demand for money to handle the crop this year. The present price of corn is expected to hold through the fall months. Finance company borrowings are expected to remain at about the present level, which is higher than in 1952. Farm implement dealers are facing sales resistance because of lower farm prices, and the used car situation is bad.

Generally, bank borrowers continue to meet their maturities quite promptly, and there is no evidence of greater delinquencies in consumer loans. A few bankers in rural areas report some increase but nothing serious.

Interest rates have increased somewhat following through from the last increase in the prime rate and as a result of the tightening of credit. Larger centers are inclined in this direction to a much greater degree than is true in smaller communities. Many of the loans in the rural areas already carried a substantially high rate, which cannot be increased.

The situation with regard to inventories appears to be about normal, with certain exceptions. The automobile and farm implement dealers are overstocked, particularly their used units. It was mentioned that many manufacturers and wholesalers are finding it more difficult to force merchandise on retailers. The retailer is buying in smaller quantities and this is forcing the manufacturer to maintain branch warehouses around the country in order to get the business, and, at the same time, to make quick delivery. The manufacturer, therefore, is obliged to carry the load.

The outlook for construction appears quite favorable. Home construction in the smaller class appears to be active and houses are selling. There will be a normal amount of commercial and industrial building, but, because of the activity in the oil fields in North Dakota and Montana, there will be an increase in construction for the District over last year, including




**Percentage Change in Business and Consumer Loans**

Insured Commercial Banks

December 31, 1951, to December 31, 1952

a substantial amount of critical housing under Sections 903 and 908 of the National Housing Act.

There appear to be no developments in this Federal Reserve District which would arouse concern as to the soundness of the over-all credit situation, with one exception. The amount of instalment credit in use probably is not too high in relation to disposable income, but the rate of increase has been so rapid that this may properly be considered a disturbing trend. It is believed that the Administration in Washington is making an honest effort to eliminate waste and reduce income taxes and that on a nationwide basis a period of adjustment can be expected, which would suggest an attitude of caution.

## Kansas City Federal Reserve District (10)

IT IS expected that the tempo of business in this Federal Reserve District will continue about the same through the last half of 1953. Crop conditions are good. The wheat crop, however, will be somewhat less than for the last several years. The greatest threat is the possibility of shortage of water for cattle. Tanks do not have enough to carry through the dry season in certain areas. Income from livestock and farming will decline due to lower prices and there will be a tightening of the belt by the rural communities. There is a lag in the sale of farm machinery.

There has been some indication in certain areas of the tightening of bank credit. Some bankers regard this adjustment as merely a firming of credit due primarily to the dropping of livestock prices and a generally cautious attitude in connection with inventories. Opinion varies as to whether the demand for credit will remain about the same, or increase, or decrease. Those expecting a decrease in the over-all loan demand give as reasons: (1) pessimism outweighs optimism among businessmen concerning the near future; (2) there has been a general drought in the Colorado area; (3) liquidation of inventories is now at high levels; (4) there is less demand in the fall by corporations because of accelerated tax collection program; (5) there is an easing of expansion tendencies in the manufacturing trade; (6) lower livestock prices will require less money to finance the same number of head of cattle; (7) and there is a tendency among livestock producers to retrench. Five out of eight, however, still believe that the demand for bank credit will be about the same or more.

There does not appear to be any material change in delinquencies in this Federal Reserve District. Increased competition, however, has brought trouble to marginal dealers, and they are experiencing difficulties. Retail merchants in some areas say their collections have slowed to some extent. It was mentioned that the collection departments in the banks were working harder to maintain their very satisfactory showing.

There is a tendency to increase interest rates upward at this time, which corresponds with the national pattern. This is less pronounced in the rural areas.

Generally, it would appear that inventories in this Federal Reserve District are in balance, although there are some indications of overstocking. This is true of some dealers in the farm implement, television, and other household appliance fields. Some automobile dealers are slightly overstocked, although sales continue good for new cars. However, sales of used cars are very slow and inventories are consequently very high.

The outlook for new construction appears to be excellent for the balance of the year, except in certain rural areas.

There does not seem to be any serious credit development taking place in this Federal Reserve District which would affect the soundness of the over-all credit situation. The only serious indication is in a few instances of used car dealers, appliance dealers, and livestock feeding areas. Banks generally have been cautious in all these lines. While credit may tighten as far as the borrower is concerned, there does not seem to be any serious situation as far as the loan portfolios of banks are concerned.

## Dallas Federal Reserve District (11)

BUSINESS prospects for the balance of the year in this Federal Reserve District are somewhat spotty. Approximately one-third of the western area of the district is still suffering from drought. If more moisture comes soon, that section will improve greatly. If there is no moisture in that area, the harvest will be much smaller than last year and there will be little liquidation in bank loans.

Oil production allowables are down and continue downward from month to month, due primarily to increased imports of foreign oil. Unless foreign oil shipments into this country are decreased, oil allowables will probably continue to decrease. Drilling operations will continue to be somewhat curtailed. Wildcatting has slowed down.

Livestock prices are still on the downturn and in all probability will continue the trend to a small degree during the balance of the year. An average cotton crop is expected this year, which will be considerably less than was produced in the 1952 season. Prices, however, for cotton should be fairly satisfactory.

Manufacturing, especially for defense purposes, is at a peak level and undoubtedly will continue about the same unless the cessation of hostilities is brought about in Korea.

Bank credit in this area has consistently tightened during the recent weeks. The primary reason for this situation is high reserve requirements, lack of open market committee operations in the securities market, higher inventories and receivables and, therefore, greater demand for credit. Bank credit applications are being screened carefully, but none of the banks here are loaned up to the point where they cannot take care of the demands from satisfactory risks. It is believed that the demand for bank loans will in all probability be as great, if not greater, than during the last six months of 1952. It is expected, however, that there will be a decline in cattle loans and loans in connection with the sale of used cars. In some areas it is felt that the loans for construction and real estate will decline. Oil loans might decline on account of small independent producers' desire to liquidate partially.

(CONTINUED ON PAGE 132)


HARRIS & EWING

**Contact between the Government and the living rooms of the nation was placed on a more intimate basis by the historically important telecast from the White House on June 3. Shown above as they appeared on TV screens are, left to right, President Eisenhower, Attorney General Brownell, Secretary of Agriculture Benson, Secretary of Health, Education, and Welfare Hobby, and Secretary of the Treasury Humphrey**

# *The Free-Market Money Policy*

**LAWRENCE STAFFORD**

ONE of the most surprising of recent developments has been the considerable attack which has been made upon the sound-money program of the Federal Reserve Board and the Eisenhower Administration.

An early warning of this attack came on March 30 from Rep. Wright Patman (D., Tex.) who declared that "tight money, hard money, high interest rates, production and business loans hard to get," and what he also called "the disastrous decline in United States Government bonds," threatened an economic setback.

At just about the same time the CIO issued a brochure which generally favored compulsory pegging of Governments. Senator James E. Murray (D., Mont.), Senator Wayne Morse (Ind., Oreg.) and others of "liberal" persuasion had criticized the free-market money policy.

A little later, when the Commodity Credit Corporation brought its interest charges more into line with the going rates, some of the Congressmen from farm states complained.

Up to this point, however, the criticism of sound money was scattered, unorganized, and somewhat of leftish bearings.

Subsequently, however, Mr. Patman introduced a proposed concurrent resolution which would have Congress call upon the Federal Reserve System to support Governments at par and thereby in effect repeal the Federal Reserve-Treasury accord of March 4, 1951.

About a score of legislators backed this proposed resolution. What gave it some real significance, however, was that the Democratic Floor Leader, Rep. Sam Rayburn of Texas, and the Democratic Whip of the House, Rep. John W. McCormack of Massachusetts, endorsed the Patman resolution.

These latter endorsements gave the resolution the appearance of being virtually the policy of the Democratic Party in the House.

In the Senate, the Patman resolution did not get such decisive backing, at the outset. However, the sound-money policy was attacked by two of the Senate's most able Democrats.

One of these was Senator Robert S. Kerr of Oklahoma, an unsuccessful candidate for the Democratic presidential nomination in 1952, and by Senator Albert Gore of Tennessee. Mr. Gore, although a freshman in the Senate, had previously served 14 years, although not consecutively, in the House. At one time Mr. Gore was considered a conservative, and was one of the earlier leading opponents of public housing, near the end of President Roosevelt's second term.

Senator Prescott Bush (R., Conn.) has been the most vigorous defender of sound money and the free-market policy. (Excerpts from the text of Senator Bush's remarks to the Senate on this subject are printed on page 42 of this issue of BANKING).

## Bank Holding Company Legislation

THE American Bankers Association has strongly advised enactment this year of a bill which would regulate the growth of bank holding companies and provide for their disposal of nonbanking assets. Furthermore, the Association presented a complete analysis of the two pending major bank holding company bills, with point-by-point suggestions on how to make such legislation most effective.

The Association's testimony was given on June 12 before the Senate Banking and Currency Committee by George R. Boyles, chairman of the A.B.A. Committee on Federal Legislation and president of the Merchants National Bank in Chicago.

In his testimony Mr. Boyles stressed two main points:

(1) He stated that bank holding company legislation should deal with bank holding companies and not with branch banking.

(2) He advocated what is commonly called the "states' rights" approach to this question, indicating that the A.B.A. would be opposed to Federal legislation crossing state lines, to operate in states which prohibited such companies.

"It is vital that each state should be permitted to determine whether or not bank holding company expansion should be permitted within its borders and whether or not it should permit a holding company domiciled in another state to cross state lines and operate within such state," Mr. Boyles declared.

ON the other hand, the A.B.A. "recognizes that it is necessary that the banking structure expand and be strengthened to be in a position to serve adequately the increased demands made necessary by expansion in production and population, and that communities should not suffer because of a lack of capital or the lack of continuity or experienced management," said Mr. Boyles. "Bank holding companies, as well as branch banks, have played an important part in providing bank facilities in the past."

The A.B.A. suggested that any company which owns or controls 25 percent or more of the voting shares of two or more banks should be considered a bank holding company, or it should be so considered if it had sufficient indirect control to bringing about the election of a majority of the directors.

Various bankers spoke on behalf of independent banking groups, including D. Emmert Brumbaugh, president of the Independent Bankers Association of America and president of the First National Bank, Claysburg, Pennsylvania; William J. Bryan, first vice-president of the same association; and Harry J. Harding, president of the First National Bank of Pleasanton, California, and president of the Independent Bankers Association of the Twelfth Federal Reserve District.

Mr. Brumbaugh endorsed the Capehart Bill, as did Mr. Harding, both saying, however, that they only wanted the most effective legislation for accomplishing the purpose.

Chairman Capehart recessed the hearings for two or more weeks.

### Grounded in Politics

Naturally this issue is largely grounded in politics. Some of the opponents of the Eisenhower Administration see the possibility of a business setback occurring before the Congressional elections of 1954. They think that any issue which they could seize upon to lay the blame for a business setback upon the Eisenhower Administration, would inevitably react to their political advantage.

Since lending is now virtually limited to the actual supply of money, interest rates have risen. Those who must pay more interest and those who lose out in requests for loans because of the unavailability of funds could be expected to become among the recruits against this policy—so thinks the group attacking the sound money policy.

High-cost and scarce money is forcing municipalities either to pay considerably more to borrow money, or is forcing the postponement of some local public works—supposedly adding also to the discontent.

Finally, opponents of this policy believe they can make it appear that higher-cost money is simply a device to make it possible for banks and other lenders to earn more.

All in all, therefore, some Senators say that they think that an attack upon the sound-money policy will pay off a year from next November, and they admit that this is why they are attacking it, even if the admission is not for publication in terms of the identity of those who so think.

### Free Market Followed Defeat of Rationed Credit

Bankers will recall how the present free-market policy came into being. It followed the long dispute between the Federal Reserve Board and proponents of mandatory support of Government securities at par, the so-called "Treasury-Federal Reserve dispute." which culminated in the accord of March 4, 1951.

Led chiefly by elements within the Council of Economic Advisers, former President Truman was importuned early in 1951 to insist that the Reserve maintain Governments at par. The issue came to a climax at the end of February 1951, when the CEA presented a memorandum to the President, which was in substance the following:

Since it was the opinion of the par support advocates that Governments must be constantly supported at par for the sake of abundant credit for the defense build-up, then something must be done to offset the resulting inflationary effect upon the money supply from exerting an inflationary effect upon the entire economy.

The device hit upon in this memorandum was that the Banking Act of 1933 and the Trading with the Enemy Act should be used as a legal basis for rigid Federal regulation by the Treasury of the use of credit.

If such a power had been invoked, then by regulation the Federal Administration could have rationed credit in multifarious detail. If so, the commercial banking world might have been confronted with as detailed and confusing a regulation of its business as the former National Production Authority brought out for the control of industrial raw materials.

This fearful possibility was avoided when the Treasury and Federal Reserve reached by themselves the well known accord. Under this it was agreed that the Reserve would not be required to maintain supports of Governments, but that the Reserve would assist in maintaining an orderly market for them.

Since then, especially under the leadership of Chairman William McChesney Martin, the Federal Reserve has been reducing its intervention in the Government securities market. By December 1952, the last refunding issue of the former Administration was handled with no Reserve support whatever.

With the enthusiastic backing of President Eisenhower, Treasury Secretary Humphrey, and leading elements of the Republican party in Congress, the new Administration adopted the "free-market money policy" as it is called by Chairman Martin, as its own.

Hence if the present opposition to the free-market policy were ever to succeed, it would suggest that a chain of events might be started which some day could lead to re-

(CONTINUED ON PAGE 114)

## *We Search for a Foreign Economic Policy*

**HERBERT BRATTER**

CONGRESS and the Executive are in search of a clearer American foreign economic policy. The U. S. would like to see an end to heavy foreign aid disbursements, yet the imagination gazing into the future sees only an endless vista of successive annual appropriations for "more of the same."

ON May 1 President Eisenhower asked Congress to create a bipartisan Commission on Foreign Economic Policy, composed of members of the Congress, of the Executive branch, and of outside interests, to examine our policies thoroughly in this broad area and report by early next year. Chairman Millikin of the Senate Finance Committee acted promptly with a resolution (S.J.Res. 78), which passed the Senate May 19 but struck a snag in the House. S.J.-Res. 78 would require a major study of the whole range of subjects from tariffs and trade to investment, economic and military aid, commodity agreements, foreign exchange controls, the IMF, the EPU, the IBRD, the Eximbank, etc.

As passed by the Senate the commission would consist of 11 members, six being Senators and Congressmen; from its membership it would appoint its own chairman; it would select its staff; its report would be made to the Congress. In its control the Executive would be subordinate.

After the Senate resolution had lain for some days on the Speaker's desk without being referred to a House committee, Congressman Richard M. Simpson (Rep., Pa.) incorporated an altered version in a bill (HR 5495) also extending the President's trade agreements power and enlarging the Tariff Commission. The bill appeared to reflect conversations with the White House.

UNDER HR 5495 the Commission on Foreign Economic Policy would have 17 members, 10 of whom would be from the Congress; but the chairman and vice-chairman would be designated by the President. A staff would be appointed by the commission, but the findings would be reported to the President and the Congress. The compromise version thus seems to put Congress and the President on a more equal footing. Behind the maneuvering, of course, have been the protectionist and liberal schools of thinking; opponents and supporters of foreign aid; "isolationists" and "internationalists;" mercantilists and Keynesians: in short, Uncle Sam's split personality as he faces the world.

THERE has just been approved by the Senate a separate Capehart-Maybank project (S. Res. 25) for the Banking and Currency Committee to study the operations of the Export-Import Bank and the IBRD. The Senators are interested especially in what the Eximbank is doing to promote U. S. exports—they seem much less interested in import promotion — and in any "competition" which the IBRD may be offering the Eximbank.

Many commissions, committees, and study groups we have had in recent years to guide us in foreign economic policies while we have been playing it by ear. Among these groups have been the Harriman committee, which gave its blessings to the Marshall Plan; the Gray committee, which in 1950 recommended large-scale economic-development loans by the Eximbank and IBRD; the Hoover Government-reorganization commission, which urged that the administration of all foreign aid be put under a single roof; the Rockefeller International Development Advisory Board, which in 1951 suggested tripling the flow of U. S. capital to underdeveloped countries; the Sawyer committee, which after a rapid European trip in 1952 submitted conclusions on many of our policies, including recommendation of more liberal customs and tariff treatment of imports; and the Bell Trade Policy Study Committee, whose main advice was to increase our imports.

MENTION should be made also of the Congressional Joint Committee on Foreign Economic Cooperation; the studies of the Senate Committee on Government Operations; the uncounted overseas inquiries of Senators and Congressmen singly and in groups; the Lewis Douglas assignment of 1953; and the reports of the businessmen groups to MSA after their evaluation surveys this year in all MSA countries.

If the U. S. fails to make up its mind about foreign economic policy, it won't be for lack of study.

# Senator Bush on Economic Stability

*Sen.* Prescott Bush *of Connecticut spoke in the Senate toward the end of May regarding the Administration's interest rate policy. His statements were highly praised in the Senate and widely quoted in the Press. Excerpts are given below.*

From across the aisle in the past few weeks has come an intermittent drumfire of criticism of one of the Eisenhower Administration's steps toward establishing a sound fiscal policy for the United States. I refer to the repeated attacks which have been made against the Treasury Department's new issue of 3¼ percent 30-year bonds by some of our Democratic friends and also to the charge that it is a policy of the Administration to raise interest rates. There is no such policy.

Some of this criticism may have been inspired by an honest misunderstanding of the factors which govern our monetary system. Much of it, we must conclude, has a political motive. It has become apparent that some of our opponents, with an eye on the 1954 elections, hope to use the interest-rate question as a basis for attacking the Administration. It has been charged, for example, that the new Treasury bond issue is a part of what has been labeled a "takeaway" program. False slogans of that kind indicate that some of our opponents hope that if they shout black is white often enough and loud enough they can fool people into believing them.

### The Facts Will Convince

Fortunately, the American people are rarely deceived when they have the facts, and I believe that when they know and understand the facts about this interest-rate question they will fully approve the President's program for giving the people of the United States a dollar they can count upon.

A sound dollar is one of the major goals of the Eisenhower Administration, and is essential to its broad objectives of preserving our national security and strengthening our economy. The President stressed its importance in his radio report to the nation on Wednesday, May 20, in this passage:

> For every American family today, this matter of the sound dollar is crucial. Without a sound dollar, every American family would face a renewal of inflation, an ever-increasing cost of living, the withering away of savings and life-insurance policies.

Mr. President, a return to a sound dollar will not take away anything from the American people; far from it. Instead, it will give them a sound pension dollar; a sound life insurance dollar. It will give them a full dollar of interest on Government bonds; a full dollar of savings for a home or for the future education of their children.

It will encourage and reward thrift in all its forms. Not only will the reward of savings be greater, but economic conditions favorable to long-range planning will once more be assured.

That is the meaning of the new policy of economic stability which the present Administration has announced it will follow. That the meaning of the policy which the Treasury and the Federal Reserve System have already begun to put into effect; the Treasury by keeping hands off the money market, and taking it as they find it.

Senator Bush

To understand why such a policy is necessary, we must remember what the Eisenhower Administration inherited from its predecessors. . . .

It is perfectly true that a flexible monetary policy operates sometimes to tighten credit—to make it harder for people to borrow—when there is danger of inflationary developments, just as it acts to ease credit when a stimulus to business activity is needed. It is also true that many prices are not rising now. But with business and trade operating at close to capacity, as at present, the simple fact is that we cannot keep prices under control if we continue to supply credit in almost unlimited amounts at artificially low interest rates.

Moreover, it cannot be emphasized too strongly that the time to prevent an inflationary price rise is before it starts. . . .

### Interest and the Debt

We cannot ignore this deficit. The Treasury has to borrow money to cover it. Continued rapid expansion of private credit, combined with more Government borrowing, could easily put us right back on the road to inflation again. Interest rates have an important role to play in helping to keep this from happening. Their function is lost—and monetary policy rendered ineffective—when they are kept below the level which would permit them to contribute to the stability of the economy. . . .

The monetary and debt management policies now being pursued represent only a part of the broad program for getting our American economy back on a sound basis. But they are an essential element in this program. and one which every citizen can understand in terms of his own income, his own savings, and his own plans for the future.

These policies are important to him for those reasons.

In closing, let me repeat there is no policy to increase interest rates. The policy is to have a stable dollar, a sound dollar for all the workers and savers of America. With a sound dollar interest rates may fluctuate up and down, but no one will be hurt if the value of the dollar remains stable.

# Hughes Gives Budget Facts

*The following statement by* Rowland R. Hughes, *Assistant Director of the Budget, was made before the House Committee on Ways and Means on June 1, 1953.* Mr. Hughes *was formerly vice-president of The National City Bank of New York and a member of the American Bankers Association Committee on Federal Legislation.*

You are well aware of the general budget situation which faced us in January. I believe it will be helpful as a background for the consideration of the tax questions immediately before you to have some summary of the facts which beset us in reformulating the budget for the fiscal year 1954 and in planning the budget for the fiscal year 1955. Secretary Humphrey has reviewed with you the fiscal and tax programs as they stand at present. The Bureau of the Budget is directly concerned with the immediate and future appropriations and expenditures, which are of course the direct cause of the difficulties we are dealing with.

The President in his message has stated: "We intend to continue our efforts to reduce Government spending and to put the nation's financial affairs on a sound basis. These objectives will be pursued in our everyday operations and will chart our course in every budget this Administration transmits to the Congress." And further on: "Substantial reductions have been made already. We are working hard to increase them within the framework of the Administration program." That is the constant and principal objective of the continuing work of the Bureau of the Budget. We know progress is being made and we are confident it will continue. The necessity now is to measure the progress to date against today's revenue needs.

Let us look first at the background of actual and estimated budget deficits during this period of our defense build-up. There was an actual budget deficit of $4.0-billion in the fiscal year 1952. The budget document sent to the Congress last January by the previous Administration indicated deficits of $5.9-billion for 1953 and $9.9-billion for 1954. This totals $19.8-billion for the three years. It now seems certain that the revenues on which the estimated deficits for 1953 and 1954 were calculated were overstated. Making adjustment for estimated lower revenues, the revised figures for 1953 and 1954 would approximate $7.5-billion for 1953 and $11.1-billion for 1954. These deficits, plus the $4.0-billion deficit for 1952, would aggregate about $22.5-billion.

Let me emphasize here that the figures that we have been presenting are those of the Truman budget. They represent the situation which had been built up by the previous Administration, and take no account of the reductions of expenditures already initiated by the present Administration since it took office, or of the congressional actions on the 1954 budget.

The situation before the corrective measures of the present Administration is even more disturbing if we look at the possible magnitude of the deficit for 1955 which was looming up as this Administration came into office. If all the tax reductions which are now scheduled by law are allowed to take effect, the loss in revenues for 1955 from such action would approximate $8-billion. Expenditures in 1955, however, would evidently have been only slightly less than in 1954 if the 1954 budget plans for the previous Administration were adopted. As a result, the 1955 budget deficit (again predicated on no reduction in expenditures by the present Administration and the Congress in the fiscal years 1954 and 1955) would be substantially greater than the deficit for the fiscal year 1954 and could reach the magnitude of $15- or $16-billion. This would bring the total deficits in the four fiscal years 1952 through 1955 to more than $37-billion.

(Continued on page 101)

## Reductions in New Obligational Authority, Fiscal Year 1954

**(in millions)**

**Status as of May 25, 1953**

| | 1954 Budget | Reductions Made by Administration |
|---|---|---|
| Budget totals | $72,883 | $8,707 |
| *Major National Security Items* | | |
| Department of Defense—Military | 41,319 | 5,247 |
| Mutual Security Program | 7,600 | 1,771 |
| Atomic Energy Commission | 1,997 | 318 |
| Total | 50,916 | 7,336 |
| *Other* | | |
| Treasury: | | |
| Operations | 681 | 51 |
| Interest | 6,420 | −150 |
| Veterans Administration: | | |
| Compensation, pensions, and benefits | 3,534 | 110 |
| Other | 1,020 | 169 |
| Health, Education, and Welfare: | | |
| Grants to States for Public Assistance | 1,340 | ... |
| Other | 433 | 62 |
| Agriculture: | | |
| Agricultural Price Supports | 289 | 14 |
| Other | 1,370 | 112 |
| Commerce: | | |
| Federal-aid Highways | 585 | ... |
| Other | 493 | 150 |
| General Services Administration | 395 | 216 |
| All other | 5,407 | 637 |

# GSB Students Judge Bank Advertising

THE 50 citation winners in BANKING'S Forum in Print (see May BANKING) were on display at The Graduate School of Banking, conducted by the American Bankers Association at Rutgers University, for further consideration by the class in Personnel and Public Relations as to: (1) the best use of illustration, (2) the best use of type, (3) the best use of text, and (4) the greatest originality of theme.

Each student made his selections in each of three size categories: (A) banks with less than $25,000,000 in deposits, (B) banks with from $25,000,000 to $100,000,000 in deposits, and (C) those with over $100,000,000.

An unusual situation arose when the votes were counted, for in Group "A" one bank, Guaranty Bank & Trust Company, Cedar Rapids, Iowa, won first place in all four categories. In Group "B" the Merchandise National Bank of Chicago won three first places, while the Maryland Trust Company, Baltimore, was first in one. In Group "C" the Bankers Trust Company of New York and the First National Bank of Portland, Oregon, won two firsts each.

While the judging was necessarily hurried, it was comparable to the speed with which the reader of a magazine or newspaper is, subconsciously, the judge of a bank advertisement's effectiveness.

## GROUP "A" BANKS


**For—**

**illustration**

**type**

**text**

**theme**


***Guaranty Bank & Trust Company***
***Cedar Rapids, Iowa***

**For—**

**type**

**text**

**theme**

***Merchandise National Bank of Chicago***
***Chicago, Illinois***



***Maryland Trust Company***
***Baltimore, Maryland***

**For—**

**illustration**


***First National Bank of Portland***
***Portland, Oregon***

For—

type

theme

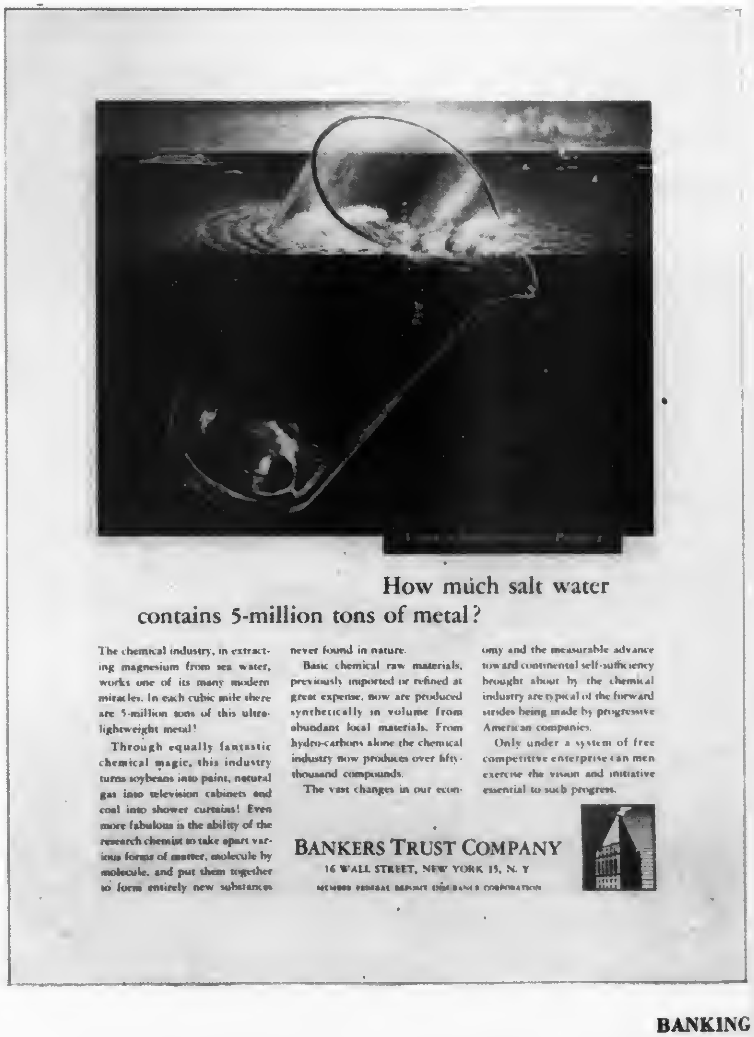
**GROUP "C" BANKS**

For—

illustration

text

***Bankers Trust Company***
***New York, N. Y.***



# GOVERNMENT BONDS

MURRAY OLYPHANT

To the general feeling of uncertainty resulting from the realization of how much money the Treasury would need before the end of 1953 and what the effect on both short- and long-term interest rates might be is now added a new question mark which does not lend itself to analysis, i.e., the Korean situation.

Administration spokesmen are unanimous in insisting that no letup or even slowdown in defense expenditures would be wise. Nevertheless, questions have been raised as to the effect of a truce on plans for business expansion. Some doubts are expressed as to the attitude of Congress, whose members will be subjected to pressure from back home. Tax reductions, always desirable politically, may seem more feasible.

However unwise, these considerations may have their effect. If they do, then some of the pressure on the bond market which has primarily stemmed from the demand for new capital and loans may be lifted. Right now guessing is futile but once again, as when the Korean truce was first rumored, the possibility is renewed that the trend of interest rates may see a turnabout.

### Cautious Attitude of Buyers

At this point the usual effect of tax payments on June 15 might have been expected to tighten money rates at least temporarily. This expectation probably accounts for the fact that, although money was quite easy on several days early in June, only the market for Treasury bills was benefited. Any purchases made with available funds were almost entirely of the shortest-term obligations. There was no stimulus to the intermediate-term issues. All of this was symptomatic of lack of confidence that the market had registered a bottom. "Let's wait and see" was the nearly universal attitude.

Certainly this attitude was justified until the June 15 tax payment period had run its course. Without Federal Reserve or Treasury aid to the money market considerable stringency was possible. But on June 3 Treasury deposits at the Federal Reserve banks were only about $300,000,000. Special tax and loan accounts were only slightly over $1.5-billion. The working balance of the Treasury was down to about $2-billion. What was expected was that over the mid-month the Treasury would borrow on special certificates from the Federal Reserve, with the result that funds would be put into the money market as had been done on all previous tax dates. This practice may well serve to prevent the cost to the Treasury of the forthcoming weekly offerings of larger amounts of bills from rising much above present levels.

### Long-Term Debt Finding

As of May 1 the Treasury got nearly $1.2-billion new money from subscriptions to that amount of new 3¼ percent bonds 1983/78. By an increase in the amount of weekly offerings of Treasury bills, about $900,000,000 more cash was obtained before the end of the month.

The sale of the bonds and of the additional amounts of bills was expected by the Treasury to "finance its needs for the balance of the fiscal year." To a large extent the cash was obtained, as the Treasury had hoped, "with a minimum expansion of bank credit," as holdings of Treasury bills by the member banks of the Federal Reserve System showed no increase for the month, actually declining about $140,000,000 between April 29 and May 29. So far so good. Funding $1.2-billion (actually about $1.6-billion if the $419,000,000 of maturing Series F and G Savings Bonds which were exchanged for the new 3¼ percent bonds are included) has been successfully accomplished and "with a minimum expansion of bank credit."

### No More "Funding" Feasible

But the market action of the 3¼ percent bonds, plus the confirmation of the huge amounts of new cash to be needed by the Treasury, brought the "funding" program to a halt as the following paragraphs will indicate. The current outlook is for a substantial increase in the short-term debt, despite the known and very sound wishes of the Treasury to the contrary.

The continued demand for loans and the unabated flow of new corporate, state, municipal, "authority," and agency bond offerings left no room for the purchase of Government securities. In fact, steady pressure on bank reserves forced some reduction in bank holdings of Government securities, which shrank about $500,000,000 during the month.

Further, it became increasingly apparent that in the next six months the Treasury would need new cash to the extent of perhaps over $12-billion.

### June Refinancing Forced on Short-Term

Under the circumstances, to refinance the nearly $5-billion of 1⅞ percent certificates due on June 1 and the $725,000,000 2 percent bonds on June 15 with any extension of maturity, even if only partially in the range of three to five years, was out of the question. The problem facing the Treasury was to find a rate for one year which would avoid undue cash attrition. Remember that no aid could be expected from the Federal Reserve.

Finally on May 18 the exchange offering was made. Holders of the maturing issues were offered a new certificate maturing on June 1, 1954, with a 2⅝ percent coupon. Even while the books for the exchange were open, it became evident that the rate was insufficient to assure full acceptance, as the bid for the new issue remained at 100 or a little less. Some guesses were hazarded that possibly as much as $1.5-billion of the maturing issues would be held to be paid off at maturity.

This proved unduly pessimistic when the final results were announced by the Treasury on May 28. These were as follows:

| (000,000 omitted) | Maturing | Exchanged | Not Exchanged |
|---|---|---|---|
| 1⅞% certificates | $4,963 | $4,411 | $552 |
| 2% bonds | 725 | 447 | 278 |
| *Total* | $5,688 | $4,858 | $830 |

The fact that only about 11 percent of the certificates were not exchanged, while over 38 percent of the bonds were held out for cash payment, is explained by the ownership by the Federal Reserve banks of over $1.1-billion of the certificates. These, of course, were exchanged.

### New Tax Anticipation Bills Sold as Offset

While the result of the refinancing was no worse from a percentage standpoint than it was in September and December, the sum of $830,000,000 had been added to immediate Treasury cash requirements. To offset this need, the Treasury on May 29 offered $800,000,000 of new tax anticipation bills to mature on September 18 and usable at 100 on September 15 in payment for income and profit taxes. This offering was taken at an average discount basis to maturity of 2.383 percent per annum, with low bidders at 2.443 percent getting 68 percent of the amounts for which they subscribed. While the tax and loan accounts of qualified bank depositaries were increased on June 3 as a result of this offering, it is probable that Treasury calls on these accounts will be more rapid than usual, so that the benefit will be short-lived.

### More Treasury Bills to Raise Cash

Omitting the $2-billion of tax anticipation bills which mature on June 19, most of which will be used to pay taxes on June 15, there are $8.9-billion of Treasury bills maturing during June and to July 16. These maturities range from $1.2-billion to $1.4-billion, and, by raising the renewals to $1.5-billion each week, the Treasury would obtain over $1.5-billion new cash by mid-July. This was expected to be done.

However, on June 1 the offering of $1.5-billion of new bills received bids for only $1,782,000,000 in comparison with usual totals of over $2-billion in all previous weeks. This issue so closely followed the offering of new TABs that the absorptive power of the market was pushed nearly to the limit.

Perhaps as a consequence, the offering for the following week was only upped $200,000,000 to $1.4-billion. This time over $2-billion of subscriptions were entered and the average cost to the Treasury was about 2.32 percent per annum.

### Higher Rates on Savings Notes

Nearly $4.6-billion of Series A savings notes were outstanding on April 30, but about $1-billion more had been redeemed than sold in the preceding 11 months. To avoid adding further demand for redemption of these notes, which would have further increased the cash deficit, the Treasury was forced to offer a new savings note at rates more in accord with those now prevailing. This was done on May 11. The new Series B note affords a yield of 2.16 percent for the first six months, 2.33 percent for one year, 2.41 percent for 18 months, and 2.47 percent to the 2-year maturity, as

(CONTINUED ON PAGE 123)

# Investment Markets

## H. EUGENE DICKHUTH

INSTITUTIONAL investment demand for new corporate issues has been spotty in recent weeks. It has reflected the general lack of stability in the Government securities markets which made itself felt in all segments of the financial realm.

Several prospective issuers withdrew or rejected bids made by underwriters, including C.I.T. Financial Corp., Southwest Bell Telephone, and Arkansas Fuel. Costs, apparently, were steeper than borrowers anticipated.

It's all part and parcel of the new tight money policy which is being pursued by both the Treasury and the Federal Reserve System in perfect harmony and accord.

So far, relatively few institutions got hurt by the decline in bond prices. The 130 savings banks of New York State, which are the custodians of nearly one half of all mutual thrift deposits in the nation, showed a decline of only about 0.4 percent in their portfolios since the year-end. In terms of total assets, the drop was 0.15 percent.

NEW financing rose substantially in May. The bond total for that month was $1,083,717,000, representing 136 new issues. It was the largest for any month since 1926, and compared with $697,369,000 covering 77 flotations in April and $1,022,147,000 for 94 issues in May 1952.

Of the total, $563,127,000 were state and municipal bonds, against $378,623,000 in May of last year. Public utility obligations aggregated $231,000,000, compared with $126,000,000 in the like 1952 period.

In the five months ended May 31, $3,684,070,000 in 493 bond issues were marketed. It represented the largest dollar amount for any corresponding period and compared with $3,546,518,000 for 396 issues in the like period of last year.

Stock offerings in May totalled $87,415,000 for 13 flotations. It compared with $40,886,000 for 14 issues in April and with $105,353,000 for 20 flotations in May 1952. New stock financing in the first five months was $375,444,000 for 65 issues, against $509,965,000 for 86 flotations in 1952 and $248,860,000 for 51 issues in the corresponding period of 1951.

In line with the general trend, the average market price of all bonds listed on the New York Stock Exchange in April—the latest figure available—fell to the lowest month-end level since February 1942. The April 30 figure was $95.46, against $96.57 at the close of March and $95.13 on February 28, 1942.

Stock trading on the New York Stock Exchange aggregated 25,766,988 shares in May. It was the smallest monthly volume since September 1952, when 24,135,228 shares changed hands, but it was 2,181,206 shares higher than the 23,585,782 reported for May 1952.

The May volume compared with 34,370,236 shares traded in April, 42,472,257 in March, and 30,209,260 shares in February. The stock markets of the country had their bit of adjustment, too, in the general realignment of values caused by the higher interest rate policy of the monetary authorities.

# Why Interest Rates Have Been Rising

E. SHERMAN ADAMS

Deputy Manager of the American Bankers Association in charge of the Department of Monetary Policy

W. HAROLD BRENTON, president of the American Bankers Association, recently stated:

*"We can't expect some of our citizens to understand the justification for higher interest rates under existing conditions unless they are told the reasons. It then logically follows that bankers should explain to their customers the role of interest rates in a free enterprise economy."*

Businessmen and individuals have been finding that borrowing has become less easy and more costly. Some have the impression that either the Federal Reserve System or the banks, or perhaps both, have somehow been "pushing up" interest rates. It is hard for them to see how tighter money contributes to the welfare of the American people.

Actually, the whole cause of sound monetary policy is involved. For although the Federal Reserve System has not been "pushing up" interest rates, the rise in rates does reflect the fact that, for several years, the System has not prevented them from hardening. This policy has helped to halt the erosion that had been taking place for years in the purchasing power of the American dollar. It operates today as a safeguard against renewed inflation.

Explaining the role of interest rates to the public is by no means an easy assignment. A whole new generation has grown up which has never before seen anti-inflationary monetary policy in action. The subject is rather technical and on some aspects the experts disagree.

Nevertheless there is widespread agreement among competent authorities on the broad principles of monetary policy, and these fundamentals can be understood by non-experts. The essential points which should be more widely known and understood, can be summarized as follows:

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**(1) *Like all other prices, interest rates—the price of credit—are the result of supply and demand forces, except when they are rigidly dictated by government.***

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INTEREST rates reflect the relationship between the supply of loanable funds and the demand for them. When demand is large relative to supply, interest rates inevitably tend to rise. When the opposite situation prevails, rates decline.

For many years before World War II, for example, the supply of funds was large and, with business in the doldrums, demands for money were small. As a result, interest rates persistently declined to the lowest levels on record.

During the war, the Government's needs for borrowed money were enormous. To facilitate this borrowing and to hold down its cost, the Federal Reserve System, through its open-market operations, maintained a fixed pattern of rates for Treasury borrowing throughout the war.

***(2) The fundamental reason for the hardening of interest rates since 1945 is the business boom, which, like all booms, has been accompanied by large demands for credit.***

DURING a boom, everybody wants to borrow. The businessman wants to increase his inventory, buy new machinery, expand his plant. The public, fully employed and optimistic, wants to borrow to buy new homes, new cars, new appliances. That, of course, is just what has been happening in this country, on an unprecedented scale, ever since the end of World War II. And the Federal Government, for most of these years has been borrowing too.

This huge demand for credit is the basic reason why interest rates have been rising. Market yields on long-term Treasury bonds turned upward early in 1946, and short-term rates started up in 1947. For several years, the rise was gradual. Banks were eager to make loans and, in addition, the Federal Reserve System, for a variety of reasons, kept pumping out more funds in support of the market for Government securities.

***(3) The public welfare normally requires that money should tighten and that interest rates should rise when inflation threatens.***

WHEN credit expands at a reasonable rate, it performs a vital function of financing increased production and consumption. It is when credit expands too fast that we get into trouble. When our economy is operating at full capacity, then a big increase in borrowing and spending is bound to bid up prices. Under these circumstances, a substantial increase in credit, even for "productive purposes," turns out to be unproductive and inflationary from the standpoint of the economy as a whole.

The best way to prevent such an overexpansion of credit is simply to permit the increased demands of borrowers to cause some tightening of credit and some hardening of interest rates. This curbs the expansion of credit in two ways: Some potential borrowers are discouraged by the higher cost; others, usually the least creditworthy, are unable to obtain credit accommodation.

The alternative would be inflation and instability. The cost of higher rates is negligible compared with the toll taken from everyone's pocket by inflation. It is infinitesimal measured against the losses of income that occur when an inflationary boom leads to a depression. Sound monetary policy is in the interest of the entire community.

***(4) Since the outbreak of the Korean war, the Federal Reserve has permitted credit to tighten in order to combat the threat of inflation.***

THE outbreak of the Korean war generated renewed demands for credit. As always, this tended to tighten credit conditions. Bank loans had doubled since the end of World War II, and many banks were beginning to "run out of money." Since Korea, bank loans have increased another 50 percent, so more and more banks have been approaching the position of being "loaned up."

The Federal Reserve System could have kept credit easy if it had decided to pump out all the additional funds required to meet the increased demands. Obviously, however, such a policy would have provided no restraint against excessive credit expansion. The Reserve System has therefore followed a policy of trying to supply enough additional funds to finance increased production but, at the same time, to prevent credit from expanding too fast. In short, it has curbed inflationary pressures by permitting the abnormal demands for borrowing to tighten credit conditions.

Its most dramatic move was in March of 1951 when, with the Treasury's acquiescence, it stopped supporting Government bonds at par. Before that, life insurance companies and other lenders had been able to sell Governments to the Federal at par or better and thereby obtain additional funds to invest in mortgages and new corporate bond issues. This made available a virtually unlimited supply of cheap long-term credit. By stopping its support of Government bonds at par, the Federal Reserve ceased to be an engine of inflation.

***(5) Interest rates are still relatively low for this stage of the business cycle.***

INTEREST rates today appear high only in comparison with the exceptionally low rates which developed during the long period of depressed business preceding World War II. It was an historical accident that these very low rates happened to prevail at the time of Pearl Harbor and were therefore used as a basis for the low pattern of rates adopted for the Treasury's wartime financing. When we emerged from the war with a vastly swollen public debt, there was a strong desire to keep rates low in spite of their inflationary effects.

This largely explains why rates are still low in comparison with other prosperous periods. Despite more than a decade of almost uninterrupted boom—the biggest in our history—most interest rates are substantially lower than before the Big Depression. For example, as compared with an average rate of more than $5\frac{1}{2}$ percent for the Twenties, lending rates of banks in principal cities averaged $3\frac{1}{2}$ percent during the first quarter of 1953. The Federal Reserve discount rate of 2 percent today compares with 6 and 7 percent in 1920 and a range of 3 to 6 percent for the rest of the Twenties.

**(6) *The trend of interest rates has been upward throughout most of the free world in recent years.***

In virtually every country of the free world, interest rates are now higher than they were before World War II, and considerably higher than in the immediate postwar period. In fact, the rise in long-term rates in the United States has been moderate compared with increases elsewhere. Our long-term rates are well below general world levels.

Compared with the Federal Reserve's discount rate of 2 percent, rates of central banks in the United Kingdom, France, Germany, Netherlands, Belgium, and Sweden range from 3 to 4 percent.

**(7) *The present level of interest rates does not result in excessive earnings for banks and other lenders.***

Some of the proponents of always-easy-money contend that higher interest rates are resulting in "exorbitant profits" for banks and other creditors. This, they say, is a "bare-faced steal" from the pockets of debtors and taxpayers.

It is true, of course, that low interest rates do benefit borrowers but only at the expense of savers and other lenders. For about two decades, borrowers have never had it so good, but savers have never had it so bad. The long period of low interest rates greatly increased the cost of life insurance and private pension plans. It seriously reduced the income of endowments, hospitals, educational institutions, and others.

The real answer, however, is that to the extent that higher interest rates contribute to a stable economy and a stable dollar, they are beneficial to all groups—and particularly to the taxpayers who must pay for a vast rearmament program.

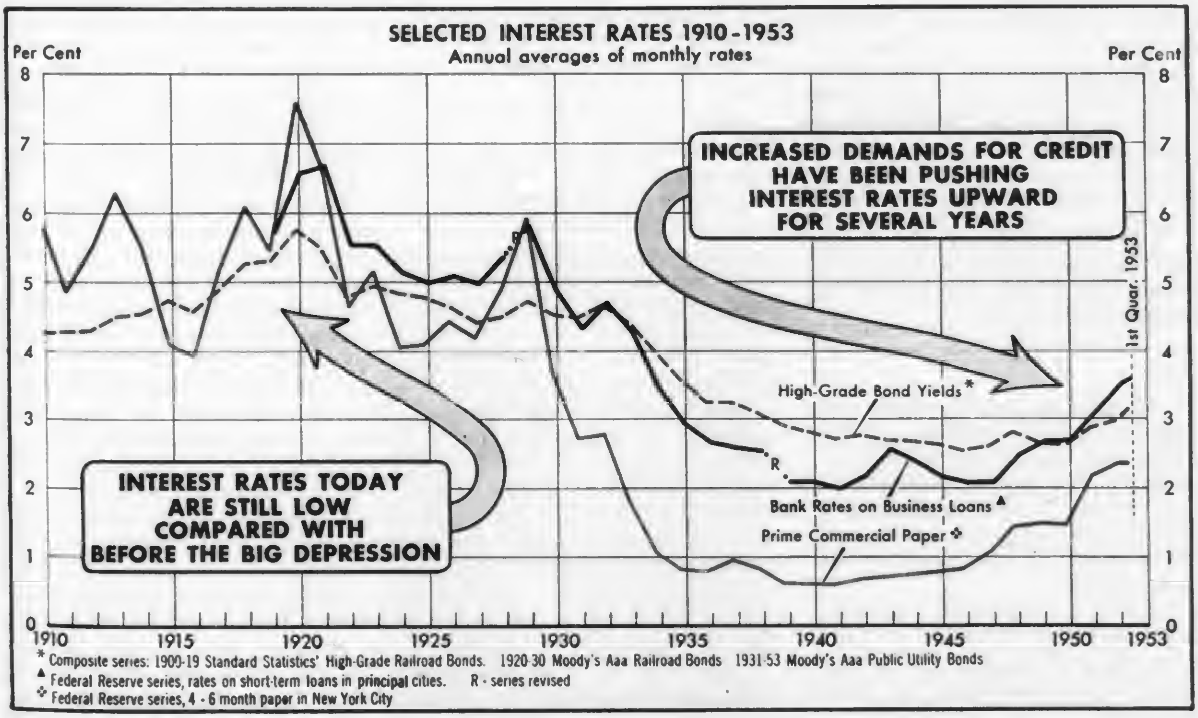
As for the banks, tighter money is by no means an unmixed blessing. It has restricted the growth of their loans and investments and has caused substantial losses and depreciation in their bond portfolios. Higher interest rates have induced many corporations to draw down their bank balances to invest in short-term Government securities. Finally, part of the Federal Reserve's restrictive program was a boost in bank reserve requirements in 1951 and this deprived the banks of the use of about $2-billion of their assets.

At this stage of the business cycle, with loans at record levels, the banks ought to be showing really good earnings. Last year net profits of all member banks averaged less than 8 percent of total capital accounts, and dividends amounted to only 3.7 percent. If this is the best the banks can do at such a time, what will their position be when the abnormal demands for credit subside and interest rates again decline?

This situation is reflected in the fact that most bank stocks are quoted at less than their book values. The verdict of the investment market is that bank earnings are not too satisfactory.

**(8) *The existence of market depreciation in bank bond accounts is no reason for objecting to the principle that interest rates should be permitted to rise.***

There are many bank directors—and probably some bankers—who do not understand, and are unhappy



about, the depreciation in their banks' bond portfolios.

The fact is, of course, that rising interest rates mean declining bond prices—they are, indeed, synonymous. The market yields of Government securities are the basic interest rates which affect the level of all other rates. When these market rates of interest on Government obligations are low, all other rates tend to be low. When they rise, all other rates tend to rise.

It would be nice, from the standpoint of lenders, to have both high money rates and high bond prices, but that is literally impossible. We simply cannot have it both ways.

One consolation about lower bond prices is that new investments can now be made at higher rates than formerly. Another, for most banks, is that bond depreciation is largely academic because most of those book losses will never have to become real losses. The average bank will probably achieve somewhat better earnings in 1953 than last year or the year before, and it is these actual results, after all, that really matter. Finally, some banks can use bond losses to good advantage for tax purposes.

But the real answer is that it is essential to the health of a free enterprise economy that interest rates should be flexible. That means bond prices will decline under certain conditions as well as rise under others. Moreover, it is not the banker's job to try to outguess the bond market. These fundamental facts about the banking business should be understood by every bank director.

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**(9) *Discussion of the Treasury's recent offering of long-term bonds has greatly exaggerated its actual importance.***

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THE dramatic and controversial aspects of the Treasury's recent bond issue have attracted much attention. The chief significance of the offering is that it indicated a change from the policy of the past seven years. It also unsettled the bond market.

Viewed in perspective, however, the offering of $1-billion of long-term Treasury bonds at 3¼ percent is, in itself, something less than epochal. It will be recalled, for example, that during the 13 years preceding 1946, the Treasury was continually bringing out new long-term bond issues—far more, in fact, than had previously been issued in our entire history. Taking taxability and tax rates into account, many of those offerings involved a higher net cost to the Treasury than the new 3¼s. Moreover, most of them were made when the difference in cost between short-term and long-term financing was considerably greater that it is today.

The size of the new issue is, of course, small. It is about one-tenth as large as the last offering of marketable long-term bonds under the Truman Administration. It represents less than 2 percent of the Treasury's obligations due this year. It is about half of 1 percent of the total debt.

Its main effect upon the economy is that it has absorbed some savings which otherwise would have gone into capital expenditures. But with private investment now at a $54-billion annual rate and with gross national product exceeding $360-billion, a Treasury bond offering of $1-billion does not look very significant.

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**(10) *It is the overwhelming informed consensus that the Federal Reserve has been right in its general policy of permitting credit conditions to tighten.***

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MANY economists would word this proposition even more emphatically. In fact, most would probably agree with the recent assertion of Chairman Martin of the Federal Reserve Board that the stability of the American economy over the past two years would not have been achieved without the contribution made by Federal Reserve policy.

There is some disagreement among the experts, naturally, with respect to certain of the Federal Reserve's actions. Judgments are always bound to differ as to exactly how an agreed-upon principle should be applied under various circumstances. However, the main point is that there is almost complete unanimity among competent authorities on the broad proposition that a monetary policy of moderate restraint has been in the national interest.

The soundness of this policy is transparently clear when one considers the alternative. To keep credit easy during such a period would be to invite over-expansion and over-speculation, and thereby sow the seeds for a depression.

It would be a public misfortune if monetary policy were to become a political football. Nor would it make sense either logically or historically. The principle of flexibility of interest rates has repeatedly received bipartisan endorsement by the Joint Committee on the Economic Report. The present policy of credit restraint was initiated under a Democratic administration and has been developed under three Reserve Board chairmen who were appointed by Democratic presidents. It has not been basically altered by the shift to a Republican administration.

### Conclusion

What of the future? As long as the boom continues, the Federal Reserve intends to adhere to a restrictive policy. This could easily mean some further tightening of credit.

The *degree* of restraint that is appropriate as conditions change is obviously an extremely complex problem which the Federal Reserve authorities are constantly studying. The degree of restriction to date has been moderate. If desired, pressure could easily be increased. On the other hand, past experience has demonstrated that there are serious dangers involved in putting on the credit brakes too hard.

When the current boom subsides, private demands for credit will slacken and credit will therefore tend to ease. When that happens, it is to be expected that the Federal Reserve will promptly reverse its policy and permit rates to decline. Over the years, this alternative easing and tightening of credit can make an important contribution to the stability of our economy.

In a democracy such as ours, sound monetary policy cannot survive and be truly effective without the support of the public, and this, in turn, requires understanding. Bankers have a public obligation, as well as a duty to their own institutions, to do what they can to contribute to that understanding.

# The Federal Reserve Re-examined

THE New York Clearing House has issued a 165-page special study that examines the credit control objectives, powers and techniques of the Federal Reserve System. It also offers a variety of recommendations for "strengthening" the Federal Reserve Act and for achieving a "better coordination" of national credit policy and debt management.

The study, entitled "The Federal Reserve Re-examined," was started early in 1952 by a task force of New York City bankers representing the 18 members of the clearing house, and was made public by Alexander C. Nagle, president of the First National Bank of New York and of the clearing house. A synopsis explains that the report, which is being published in book form, is "the result of the voluntary and collective feeling of the banking community that the bankers of this foremost financial capital should express their views for improving the effectiveness of the great Federal Reserve System after many years of experience through changing times and conditions since the System's inception in 1913."

Emphasizing the need for safeguarding the dollar and promoting stable economic progress, the study has a twofold purpose: (1) To offer "a series of conclusions and recommendations to those directly connected with the central banking system and those in the executive and legislative branches of the Government," and (2) to "arouse interest and promote a better understanding of money, credit, and monetary policies which lie close to the roots of our national welfare and so vitally affect the life of every individual in the United States."

These recommendations are made:

### *Economic Objectives*

The so-called "employment mandate" of the Employment Act of 1946 should be reworded to indicate clearly that in the long run a relatively stable price level is of paramount importance in maintaining a healthy and stable economy, and the aim of "maximum employment, production, and purchasing power" is to be achieved within the framework of a relatively stable price level.

### *Authority of Reserve Banks to Purchase Securities*

The guiding principal in open market operations, set forth in Section 12A (c) of the Federal Reserve Act, should be reworded to impose upon the Federal Open Market Committee a positive responsibility to direct System open market transactions in such a manner as to protect the purchasing power of the dollar and supplement other credit controls. . . .

The list of securities eligible for purchase should be limited to those instruments customarily employed as a means of adjusting cash positions. Certain obsolete provisions of Section 14, e.g., the authority to purchase municipal warrants, might well be eliminated.

The authority of the Reserve banks to purchase Government securities directly from the Treasury should be amended to guard against its possible use to finance continuous Treasury deficits. This authority should be restricted by law to a temporary advance. The amount of direct accommodation that may be extended to the Treasury should be limited not merely as now to \$5-billion outstanding at any one time, but also by requiring all such advances to be repaid in 30 days.

**Alexander C. Nagle, president of the New York Clearing House and of the First National Bank of New York**

Some means of limiting the amount of Government securities that may potentially be held by the Reserve banks is desirable. There are several ways in which this could be done.

### *Discounts and Advances of Reserve Banks*

Section 10 (a) of the Federal Reserve Act, covering group loans to member banks, should be eliminated since it does not appear to have been used and is unnecessary under present circumstances.

Section 10 (b), covering advances to individual member banks secured to the satisfaction of a Federal Reserve bank, should be retained for emergency use.

Section 13 (b), covering direct loans to industrial or commercial businesses, is not needed. If special credit facilities are to be provided for businesses that are unable to borrow from the usual private sources, it may be advisable to administer them through the agency of the Federal Reserve banks, but such loans should not involve the resources of the Federal Reserve banks.

Section 13-13, covering advances to individuals, partnerships, and corporations, should be restricted by law to loans to non-member banks under emergency conditions only and at penalty rates.

Section 14 (d) should be amended to provide that any cases of disagreement between a Federal Reserve bank and the Board of Governors of the Federal Reserve System regarding the establishment of discount rates should be referred to the Federal Open Market Committee for final decision.

### *Legal Reserve Requirements*

Any legislation on legal reserve requirements should recognize that geographical differentials are no longer useful or necessary; that vault cash and a portion of balances with correspondents should be included as legal reserve balances; that total requirements are excessive under the existing system; and that the need for discretionary powers to

(CONTINUED ON PAGE 108)

# METHODS and IDEAS

*Operations . . . Personnel . . . Public Relations*

*This department is edited by* JOHN L. COOLEY *of* BANKING'S STAFF.

## Bank Sponsors Retail Salesmanship Forum

THE CENTRAL NATIONAL BANK of Yonkers, New York, extended a friendly hand to local merchants during June.

It sponsored a forum on retail salesmanship, conducted by faculty members of the City College Midtown Business Center, a division of the College of the City of New York. The course was offered particularly for local retailers who participate in the bank's Charge Plan, but all local merchants were invited and registration approximated 300. The four two-hour evening sessions were held in the largest auditorium in Yonkers.

Central National's purpose was to help the stores in their sales training and merchandising problems by providing lectures on such practical subjects as principles of good salesmanship, hints for closing sales, public relations in retail selling, and the recognition and utilization of selling talent.

## Explaining Service Charges to Customers

STATE BANK & TRUST COMPANY of Wellston, St. Louis, has a new pamphlet, "Why Bank Charges?" which, it says, has "definitely minimized" customers' complaints about service fees.

"There's nothing original about a pamphlet explaining service charges," writes Assistant Treasurer Albert W. Lakebrink, "but we're enthusiastic about the one enclosed.

"Our present system of charges has been in effect for years, but we still had many customers who misunderstood it or had only a vague conception of how it worked. Our advertising man listened to our problem and came up with this pamphlet.

"Customer response has been favorable and some of our local bankers think highly of it. We think we are giving our customers the information they want without overburdening them with reading material."

The center spread of the four-page folder explains "Earnings on Your Account vs. Cost of Handling Your Account." On the left hand page average balance, reserve, float and income value are discussed briefly and simply; the right hand page is devoted to similar explanations of activity, maintenance, miscellaneous, and "no service charge" situations. On the last page are two examples of how charges are figured.

"If any other bankers are interested," says Mr. Lakebrink, "we will gladly send them copies."

## Salesmen Are VIPS, Too!

THE BANK OF VIRGINIA, Richmond, believes that salesmen's goodwill should be cultivated.

Management sees to it that each salesman has a chance to tell his story to someone in the bank. And when he leaves he gets a cardboard dime-saver tagged with this message:

*Thank You . . .*

**FOR YOUR CALL TODAY**

Whether or not we were able to do any business, please know that The Bank of Virginia appreciates the fact that you and your company took the time and interest to call on us.

Cordially,

**THE BANK OF VIRGINIA**

Thomas C. Boushall, president of the bank, explains that back of this effort is a basic policy of courteous reception for all business visitors, plus a realistic recognition of salesmen's knowledge and influence in their territories.

"Bank purchasing officers," says Mr. Boushall, "can learn a great deal by listening to reports from the field. We think salesmen are very important people."

## Credit for Young Businesses

SEVERAL broad principles of action for the banker who is asked to grant credit to a growing business were suggested by E. Lawrence Worstall, vice-president of The Philadelphia National Bank, at the Credits Conference held during the American Institute of Banking convention in Cleveland. Mr. Worstall is also president of Robert Morris Associates and of the National Association of Bank Loan Officers and Credit Men.

The banker must know all the facts about his customer, the company's products or service (including pricing, marketing, and demand factors), and the past, present, and probable outlook of the particular industry.

He should examine the place of business, judging the adequacy of facilities and efficiency of operations, and carefully examine the financial data, "being prepared to dig hard for information, since many young companies don't know how to present their cases intelligently and convincingly."

Through friendly discussion the banker "should learn all there is to know about the man or men in management—their past records, training and ability, likes and dislikes, fears and ambitions." If he decides to extend financial aid, the banker must determine how far to go, what risks to assume. It's helpful to work out with the management a short-term plan covering, say, three to six months. Map out, for that period, a production or sales objective, a schedule of management's activities, and the necessary bank credit.

One of the loan officer's most difficult decisions is the balance between supplying enough credit on the right terms so that it can be constructive, and avoiding an undue share of risk in the enterprise's future.

"Unfortunate though it may be," said Mr. Worstall, "we simply cannot allow our loans to assume the proportions of ownership capital. The line must be drawn somewhere. At the same time, our rates of interest should reflect the greater risk and cost involved in lending to growing enterprises, although we shouldn't penalize these borrowers just because of their small size or immature financial condition."

Sometimes the banker's risk can be held within reason by obtaining collateral. Warehouse receipts, assigned accounts receivable and chattel mortgages may be helpful.

Although loans to growing enterprises may entail somewhat greater risk and more difficulties than do loans to mature companies, "they are well worth the trouble." "In no other area of bank credit," Mr. Worstall asserted, "is there such rich opportunity for truly constructive building."

## Personnel Turnover

THE apparent effect of the American Institute of Banking's orientation short course, "You and Banking," on staff turnover was reported at the Institute's Cleveland convention by Chester C. Lincoln, vice-president and personnel department manager of the Security-First National Bank of Los Angeles.

"The first statistics," he said, "are so fantastic that I hesitate to quote them. It is too early to accept them for more than an indication, but here they are for what they are worth.

"To get a cross section, we combined figures compiled by our bank with figures from another large bank. We compared two groups of new employees, similar in all respects. The control group was comprised of 103 new employees hired within the previous six months, all of whom had taken 'You and Banking.' We found that in the year following employment only 18 percent had terminated employment.

**J. Hamilton Cheston, president of the Philadelphia Saving Fund Society, congratulates top winners in the Society's fourth annual thrift poster project conducted in 17 senior high and three vocational-technical schools. Edith Baranyai, *left*, won first prize and a one-year art scholarship for the best entry. John Cipparone was first in the vocational-technical division**

"Then we took another group who had been hired at the same time as the first group but who had not taken the course. In this group 60 percent had terminated employment within one year. It is true, of course, that the low turnover in the first group should not be credited entirely to 'You and Banking' because it is to be expected that the kind of employees choosing to enroll in the course would show a lower ratio of turnover anyway. But we are convinced that the effect was considerable."

Mr. Lincoln emphasized the importance of developing an effective program for training tomorrow's bank executives.

"Out of every 100 people working in banks in the nation, 60 are women and 40 are men," he pointed out. "Out of this hundred, 27 must come forward to fill the key positions. Generally speaking, these 27 will have to be selected from the 40 men because we cannot count on our women to remain long enough to reach executive levels. The problem then, mathematically speaking, is to make sure that 27 out of every 40 men are prepared for official responsibilities. That is two out of three.

"How are we going to bring these men up more quickly? How did the Army and the Navy do it when it was a case of life or death? They did it by education, by skillful and intensive training, from courses in basic training up through technical, decision-making knowledge. They could not wait five years to train a bombardier or a submarine skipper, so they found a better way. They hired or drafted some very smart men to show them how to do it. Many of these same men are now working in banks. It seems to me that we have a job for them to do.

"In the matter of banking education, there is another distinct necessity—to provide prompt orientation and initial training for the girl employees who come and go, so they will be happy in their new bank environment and competent to perform their jobs in a minimum amount of time. In this field, we are already well on our way, thanks to the A.I.B."

## Audit Control of Transit

THE following account of audit control procedures in the Transit Division of the Guaranty Trust Company of New York was given by Albert L. Gettman, the bank's auditor, at a recent NABAC conference. Mr. Gettman's report on Bookkeeping Division controls, included in his presentation, appeared in Methods and Ideas for June.

The function of the Transit Division, or "mail tellers" as it is known in some banks, is to clear or otherwise obtain reimbursement for all checks and drafts drawn on other banks which are received in both mail and window deposits or as a result of other banking transactions, Mr. Gettman said.

The accountability for checks cleared by the division is reflected in two general ledger accounts: (1) Federal Reserve bank account, and (2) cash collections.

The cash collection account is supported by a subsidiary ledger known as the cash collection ledger, maintained in the Transit Division. This ledger reflects the sendings to and balances due from bank correspondents, the Federal Reserve bank de-

(CONTINUED ON PAGE 105)

# A Bank That Looks Like a Bank

**HARVEY G. BROWN and DICK ERICSON**

*With this gay manuscript from* HARVEY G. BROWN, *executive vice-president of the First National Bank of Juneau, Alaska, came the following letter:*

*"Since things are dull up here this time of year, and the evenings long, I have concocted the enclosed and take the liberty of sending it along. I don't think anybody will want to change the rediscount rate or write his Congressman after reading it, but if you think you can use it, why you just go right ahead. If you don't want it—and this is not at all impossible—please send it back. Then my kids can use it to show me where I have mispunctuated, etc."*

*Well, we decided to use* MR. BROWN'S *extravaganza, so the junior Browns will have to send their criticisms to us.*

*One more point: "The opinions expressed," says the author, "do not necessarily represent the views of the banking fraternity, the RFC or OPS. Any resemblance to any person or persons, living or dead, will be a miracle. The names used are fictitious, natch."*

**"Golly," he thought as he looked at the tense, alert faces . . .**

PAUL P. PETERS, chairman of the board, glanced down the long polished table in the executive officers' room.

"Golly," he thought as he looked at the tense, alert faces of the eight top bank officers, "the old Psychologists and Traders Bank has come a long way since I started with it."

The hint of pride in his expression changed to concern as he realized the seriousness of the meeting. "Now, now," he reassured himself, "with such an assortment of talent we should be able to lick this one." He looked closely at young Smythe and said: "Well, Smythe, you haven't said much. What's your idea on the thing?"

Chester Smythe, vice-president in Charge of Children (Baby Sitting Department) although young for his job, was respected. Peters reflected that he didn't panic easily. Smythe took his time. "Well, P. P., I *think* our department is doing its job. The First National copied our ideas when they opened their 'Tots and Toys Department,' but we seem to have held our customers with the stratosphere suits we've been handing out lately. Frankly, I don't think we can change much on our methods."


**". . . we seem to have held our customers . . ."**

"Very well, Chester. I can't think of any letdown in your department. You seem to keep in mind our slogan 'The Thoughtful Bank'."

Muted organ music drifted from the lobby and called Peters' attention to Ed Sharp; or, more formally Mr. E. Sharp, Vice-president in Charge of Music and Entertainment.

"Ed," Peters asked, "any new ideas in your department?"

"Mr. Peters," replied Sharp, "I

**". . . bank music should be restrained"**


**". . . our service is meeting the competition . . ."**

have given this thing a lot of thought. The Ranover Trust crowd have, in my opinion, gone completely overboard in installing a swing band in their lower lobby. The next thing will be a strip tease, I shouldn't be surprised. After all, Mr. Peters, I still think bank music should be somewhat restrained. However, we must move with the times, and if you gentlemen suggest a change I will not object."

Peters realized that the meeting was getting nowhere. He thought, "Anything will be better than this standing still." He turned to Bill Little:

"Bill, two years ago we moved you up to VP and put you in charge of Personalized Parking. I don't expect you have much leeway for innovations in that, but let's hear what you have to say."

"Well, Mr. Peters," said Bill Little. "I admit that our department wasn't quite up to that of the Second National, with its 'Save and Grease' plan, giving a grease job to each depositor with over $500 on his passbook. Of course we had to follow suit on that, and we went a bit further when we gave a free grease job to each $500 borrower. But we have learned a few tricks, and right now we're installing parking meters and giving new, shiny nickels to the customers to put in them. This is going over big. I'm afraid I am a bit conservative in thinking that our service is meeting the competition, and am certainly open to suggestions."

"Thanks, Bill," said Peters, "that was a pretty good report."

Big, burly A. Yates Gates, president of the bank, had not been saying anything, just sitting there looking relaxed and listening to the exchange of thoughts. Gates had been with the bank many years and was regarded as the elder statesman. Now he spoke up:

"Paul, I don't want to get into this technical hassle, since I'm not a specialist in public relations, but I would like to remind you young fellows that things were a bit different when I was a young buck. We just gave the public banking service because that was our business."

There was a murmur. Three or four officers at the far end of the table had their heads together: James Adams, assistant cashier and head of the loan department; Charley Cassell, the cashier, and, Art Rockwell, in charge of investments. They all looked serious. Finally Cassell looked up at Peters.

"Mr. Peters," he said, a bit nervously, "before we go into this further, don't you think we should give some thought to our costs?"

Peters thought to himself "Dammit, I suppose we have to have fellows like Adams, and Cassell and Rockwell around a bank, always piddling around loaning money. . . ."

His mood brightened. "Well, fellows, we haven't heard from old Ora yet."

Ora Yessum, VP in Charge of Out-of-Town Accounts, raised his head:

"Paul, you're asking me a tough

**". . . a little letdown in our food . . ."**



**". . . we will proceed to remodel . . ."**

one. We've been kicking this around, and all I can contribute is that I notice a little letdown on our food lately."

Peters nodded. He thought, "No new ideas. Maybe Gates has something, after all. Worth a try perhaps . . ." He cleared his throat:

"Gentlemen, when Mr. Gates was discussing our old-fashioned past I wondered if perhaps they did not have some workable ideas in the old days. Would you care to give us a brief sketch of banking methods in earlier days, Gates?"

"Yes, Paul," he replied, "for what it is worth I could try to remember how the bank looked and how we did things when I was starting around here. Let's see, now: first off we used to have the tellers in cages, but of course you fellows don't remember that. Oh yes, we used to have big brass goboons in the lobby too. The janitor kept 'em shined and polished." Gates was lost in reverie.

Paul Peters raised his hand. "Boys," he remarked, "I think we have something here, and thank you. Yates Gates. Do you realize that we have the opportunity of having the most unique bank in this city . . . Just imagine it: *A Bank That Looks Like a Bank . . . A Bank That Acts Like a Bank* . . . why, the competition can't match it."

"Gentlemen, I gather that you are all in accord with the theory of constant progress, and if there is no objection we will proceed to remodel along the lines suggested."

# Public Credit for Private Industry

SHERMAN HAZELTINE

*The author, who is president of The Bank of Arizona, Prescott, is chairman of the American Bankers Association Committee on State Legislation and of the State Legislative Council.*

THE propriety of using public credit to finance private industry has aroused intense discussion and debate, not only in the localities directly involved, but nationally among dealers in municipal securities. A brief presentation of current applications of this type of financing, and the arguments pro and con, may be of interest to bankers generally.

The issuance of municipal bonds as an inducement to the establishment of private industry is not a new phenomenon. In the 1820s, funds were raised by this method for the subsidization of banks and canal companies; in the 1880s, for the railroads; and in the 1920s, for real estate operations. At the present time, the principal application is in connection with the purchase of land, plant, or equipment (sometimes all three) to induce the establishment of a new industry in a given locality.

## The Law in 10 States

Enabling legislation of one sort or another has been enacted in 10 states authorizing the issuance of municipal bonds for the purposes suggested. These are Alabama, District of Columbia, Kansas, Kentucky, Illinois, Louisiana, Mississippi, Oklahoma, Tennessee, and Washington. In most instances, provision is made for revenue bonds, the repayment of which depends solely upon the subsistence of the lease. Mississippi is the only state in which the bonds are backed by the full faith and credit of the political subdivision. Even there the bonds are generally regarded as revenue bonds, and their marketability has been favorably affected by the stability and reputation of the lessee industry.

Because Mississippi led the parade in the reincarnation of this method of finance, a quick run-down of the situation there can serve as an illustration of what is involved. Enabling legislation was passed in 1936 which authorized political subdivisions to issue municipal bonds to aid in the establishment of industry. The program was known as Balance Agriculture With Industry (BAWI) and was motivated by the highly laudable desire to provide industrial payrolls to supplement the citizens' earning power under what was principally an agricultural economy. The success of the program appears to have been gratifying. Many new industries have located in Mississippi and to date there have been no defaults under any bond issue.

Those opposed to the use of public credit for the financing of private industry are inclined to be more vocal, and their feeling more intense, than is the case among the proponents. A reason for this may be that the contra side is "fighting for a principle"; abstractions often generate more heat than realities. Residents of those states enjoying a newfound prosperity based in no small part on the recent immigration of industry speak with the tolerance of the wellfed. It is not surprising that citizens of the areas from which those same industries have departed are not so broadminded.

## The Opposition

In the interest of simplification, we may classify the opposition arguments into three main categories: historic, legal, and political. David M. Wood, outstanding municipal bond attorney of New York, has written and spoken forcefully against this current tendency in the use of municipal credit. His arguments, based upon historic precedents and citing the waves of defaults and state bankruptcies which followed earlier excursions into this realm of public finance, are cogent and compelling. To Mr. Wood, the present trend is but a current application of an old gimmick with no reasonable anticipation of a happier fate than that met by its predecessors.

As to the legal aspect, Mr. Wood is joined by an impressive host of attorneys who see in this use of public finance a very real threat to the continuance of Federal tax exemption of municipal bonds. They point out that the exemption has frequently been attacked by the Treasury Department in the past. It is their fear that the granting to private industry of the benefits of the exemption may afford the Collector of Internal Revenue a splendid argument to abolish tax exemption on all municipal securities. However, some feel this objection to be more apparent than real, indicative of an underestimate of the political potency of municipalities in the halls of Congress.

## A.B.A. Survey Results

The State Legislative Committee of the American Bankers Association recently sent a questionnaire to bankers throughout the 48 states to determine their thinking with regard to the use of public credit in financing private industry, and the response revealed overwhelming opposition. Many called attention to local and statewide credit pools and development programs—financed by private capital—as being equally effective and less hazardous solutions to the same problem. The preponderance of the objection to the use of municipal credit was based upon the feeling that such financing is either socialistic per se, or would lead to governmental control and eventual socialism.

In the event of deteriorating economic conditions, leading to a frenzied "give away" race as between states to see which can offer the greatest inducement for the establishment (or retention) of industry, it may be interesting to observe whether high-minded principle or politico-economic expediency prevails in the decision of whether or not to use public credit in financing private industry.

# THE FAMILY DOLLAR

**EARL S. MacNEILL**

**Vice-president, Irving Trust Company, New York**

## Factors in Estate Planning: TRADITION

A CUSTOMER is at our desk. He is considering trusts under his will for the benefit of his daughter and son; how long should the trusts run? "What do people usually do?" he asks. Thus traditions are perpetuated.

### The Tradition of All to Wife

Perhaps the most popular tradition (though relatively modern) is that of the "simple will" which leaves "everything to my wife." Despite the preaching of tax planners and the ever-flowing stream of leaflets and letters from trust companies, the practice persists—relic of that happy time when taxes were but a wisp of a cloud over the land. Of course, it is even more than a tradition; it is the natural, fond thing to do. The sad consequence, however, in many cases is that tens of thousands—and sometimes hundreds of thousands—of dollars in taxes are unnecessarily added to the estates of a husband and wife. Generous provision can be made for a wife without deep digging into the inheritances of the children. At risk of repeating what has been said eariler in this Family Dollar section, the appended Tax Hint-of-the-Month will describe how this may be accomplished.

### Traditional Treatment to Children

Traceable to traditions more ancient is the treatment customarily given to children and to children's children. Primogeniture is out, of course—the giving of all or most to the eldest son. But the rule of "keeping it in the family" persists. The following is virtually a stock pattern:

The estate of Adam Adams is substantial enough for trusts to be provided in his will—the kind of trusts described in the Tax Hint-of-the-Month. That is, there is a marital deduction trust for Mrs. Adams and also a residuary trust for her lifetime benefit; but upon her death the residuary trust is divided into as many shares as there are children; a share is held for the life of each child, and upon the child's death it is distributed "in equal shares *per stirpes*" among the descendants of the child; and if the child leaves no descendants, then to the descendants of the testator—Adams.

What are the possible consequences of such a provision? Their variety is limitless. Let's imagine: Adam Adams has a son, Seth. Now Seth was a fine conscientious boy and he married a splendid girl. Bolstered by the income from the trust fund, Seth dedicated his earlier years to one of those professions which serves humanity but doesn't pay very well; and in his later years he was beset with illness. A child was born and died. Seth's wife spared not her strength in care for Seth. When Seth died, he had little of his own to leave her; and the principal of the trust fund that had supported the two of them went to Seth's brothers and sisters.

Another variety of circumstances can be conjectured. Seth lives a normal life, makes a good living, but can't save much after taxes and the raising of four children—two boys and two girls. His wife dies; Seth carries on. One of the daughters is mentally underdeveloped—needs special care. The others are doing fine. If the principal of his father's trust were Seth's to dispose of, he would continue the larger part of it in trust for the deficient daughter's care, with the principal going to his other children—or their children—on her death. But, as it is, the daughter will receive only her smaller proportionate share—and it will be payable to her *outright*. The burden then will be on her brothers and sister to have her adjudged incompetent and a guardian or committee appointed to handle the funds for her under the court's close and constant supervision. A private skeleton thus is exposed to the public eye.

### Modern Use of Power of Appointment

An old technique adapted to modern use could have avoided the unhappy consequences portrayed in each case—and lesser hurts that could happen in other cases.

Here is a legal device as old as any we can think of, but it hasn't got embedded in tradition; people don't understand it; if they did, they would use it more. It deserves to be revived.

Suppose Adam in his will had stipulated that when Seth died he could provide in *his* will how the trust fund held for his benefit should be disposed of. Seth then would have a *power of appointment*. It's as simple as that. And the wisdom of it is that Seth is so much nearer the event of distribution than Adam was. Adam can't begin to foresee the circumstances that may exist when the trust under his will—maybe scores of years after Adam's death—comes to an end. But Seth is *there*. He knows.

Now maybe Adam's purpose was to save taxes: the "second" tax that would be levied on Adam's assets if he gave them outright to Seth and Seth in turn left them by will to his wife or children. Because they went to Seth's children under the instruction of Adam's will they could not be taxed in Seth's estate. But the same result, under the Federal tax law, could be accomplished by giving Seth a power of appointment restricted to this slight degree: that he could not appoint to his creditors, his estate, or his estate's creditors. And, of course, a more limited power would not be taxable either, such as one exercisable in favor only of Seth's wife, his children, and Adam's other descendants. Thus everything may be kept pretty well within the family, but flexibility is not altogether denied.

### Needs of Beneficiaries Now the Test

There are many traditions; space permits assault on but one other. Once upon a time the emphasis in trusteeship was on conservation of principal. There was here perhaps a survival of the tradition of the landed estate—the broad acres and the baronial castle, to be kept in the family at all odds. This emphasis on conservation was reflected in rules of law which put trustees desperately on the defensive if principal declined in value. Indeed, law fostered the tradition.

In our time there has come, however, a new concept of wealth and its use. Not conservation but earning power is king. The husband and father of today is coming to think in terms of his wife's care and the support and education of his children; there is a growing tendency to give children the principal of their trust funds on reaching ages of financial maturity—a token at 21, perhaps, a larger piece at 28, and the balance at 35. If a trust is directed to continue for the life of a child it is usually for tax reasons or for reasons inherent in the characteristics or mental or physical condition of the child—not out of concern for a more remote generation. "I've made the money; I've given my children a good start in the world; let them do the same for their children." Such is the modern view.

Along with this has been a freeing of the trustee from the shackles of old rusty rules of law that imposed supercaution on trustees. Not only are trustees granted investment powers that frequently are more liberal than granted by state law; they are encouraged to pursue policies of liberality by grants of immunity (limited by law in some states) from the consequences of their investment actions, provided they were taken in good faith and no gross negligence was involved. Thus trusteeship itself has become a modern *business*, no longer a mediaeval passive holding.

# Definitions: "Inter Vivos"

"INTER VIVOS: Between the living, or from one living person to another, with particular reference to transfers of property.

So the law dictionaries would have it. But in practice the phrase has a more limited use. It could be applied correctly to a sale of property, but rarely is; it commonly designates gifts during lifetime—as contrasted to gifts by will; thus we have the *inter vivos* trust. In trust company language, which tends to seek popular understanding, the term "living trust" has gained favor.

Best definition is by example: John signs a trust agreement or deed of trust—the forms are different but the effect is the same. Second party to the transaction is Henry—or it may be the X Trust Company. John is called the trustor, settlor, or donor—no unanimity as to the word. "Trustor" would seem most logical, since Henry—or the X Trust Company—is universally called trustee. Moreover, one can *settle*, *grant*, or *give* without creating a trust. There cannot be a trust without a "corpus," not to be confused with *corpus delecti*. That is, there must be property; the trust instrument, whatever its form, conveys property to the trustee. A more understandable designation than "corpus" to describe this property is "trust estate"; more commonly, perhaps, it's just called "principal."

It is a distinguishing feature of trusts that there are *two* owners of the trusteed property, or rather two sets of owners—legal and equitable. The trustee is the legal owner and the equitable owners are the beneficiaries of the trust. These again are divided into two groups: the *income* or *life* beneficiaries—descriptive enough; and the *remaindermen*—a descriptive word, too, since they are the people who will take whatever there is in the way of principal when the trust terminates.

This unusual concept of split ownership, a product of the English common law, matured slowly over the centuries. To the English and to us it is native; elsewhere it is unknown or is barely understood and poorly used. With us, the trust has become a great instrument for the conservation and management of property. Traditional in its origins, its uses grew. But again there is a dualism.

For basically there are two types: *revocable* and *irrevocable.*

The revocable living trust can be revoked, or called back, at will. It can be terminated without taking the principal back—that is, by letting the principal be distributed according to its terms. And it can be amended freely. Contrary to the impressions of many, there are no tax advantages to the revocable living trust. Income is taxable to the trustor and the principal is taxable as part of his estate. Reasons are the same in both instances: he has the *control.* Consequently the main advantage of the revocable living trust must lie in the area of *management.* A man preoccupied with business or travel, who is ill or infirm, or for any reason wishes to be rid of the responsibilities of handling investments—for him the revocable living trust is ready-made, but it can be altered to suit his needs, even his whims. Moreover the revocable living trust can serve as substitute for a will. The trust estate needn't pass through the hands of his executors but can go direct to his heirs. It saves costs and is virtually proof against local publicity.

THE irrevocable living trust has to stand with all its *t*'s crossed and its *i*'s dotted—unchanged. This kind of trust can save taxes if certain conditions are met. The laws have tightened—in a kind of race between tax-avoiders and tax-collectors—but if the trustor will honestly relinquish dominion over the income, causing it to be paid to others whom he has no legal duty to support, then it is almost certain that the income will be taxable to that other and not to him. Similarly, if he "cuts all holds loose" with an irrevocable trust for the benefit of others and there is no feature of "contemplation of death" (which will be explained in a later article) then he can be reasonably sure that his estate will pay no estate taxes on the assets of the trust.

There are intermediate *inter vivos* trusts—modifiable to prescribed extents—but let's not complicate our definition.

# Tax Hint-of-the-Month: Supplement to "Tradition"

THIS is the example promised in the first article of this "Family Dollar" section: how to provide amply for a wife without adding unnecessarily to the combined estate taxes of the husband and widow.

We'll use Adam Adams again, and assign him a taxable estate of $300,000. The estate of Eve, his wife, is nominal. If Adam died first, and his will followed the old pattern of "all to wife," then the Federal tax on Adam's estate would be only $17,500, because his executors were entitled to claim the maximum marital deduction. (The maximum is half of the taxable estate and it's claimable because at least half was given to the wife outright.) But when Eve dies—and it might be immediately after Adam's death in some common accident—then the *whole* $300,000, less the $17,500 tax paid on Adam's estate, will be taxable on Eve's death. This second tax will amount to $54.300; and the two will total $71,800. The children—Seth, Hamilton, and the rest — will receive $228,200. (Figures rounded to even 100s.)

The principle of the marital deduction, of course, is that to the extent a deceased spouse's property is made taxable in the surviving spouse's estate, then it goes free of tax in the estate of the first to die. But there's a ceiling—one half of the first spouse's taxable estate. Trouble was, Adam gave his wife *all*—not half.

A pattern that is emerging is this: Adam, by will, gives half outright to Eve; or, alternatively, his will provides that half will be held in trust for Eve; she to receive all the income and to have the right, by *her* will, to direct how the principal shall be disposed of when she dies. Just as if she had received it outright, the principal of such a trust will be taxable in her estate. The remaining half of Adam's estate will be held in trust for Eve also, but upon her death it will be distributed among the children *by direction of Adam's will;* consequently it will not be taxed a second time on Eve's death. Her tax will be the same as Adam's—$17,500—based on the principal of the trust over which she had the power of disposal. Total taxes, $35.000. The children will receive $265,000, a gain to them of $36,800 that was quite needlessly paid out in taxes under the "all-to-wife" arrangement.

Lest some may fear that the trust arrangement might be too rigid to meet Eve's needs, let it be explained that a trust can be almost as flexible as an outright gift. As for the first trust—the "marital deduction trust," as it is usually called—Eve can be given the right to take down principal, either in instalments, or up to a specified total or all in one fell swoop, however Adam may wish. And in both trusts the trustee can be given most liberal powers to use principal, not merely for emergencies but to provide a decent and comfortable living for Eve. There need be no such thing, in modern planning, as a "tying up" in trust.


**Mr. Robertson, *second from left*, inspects aerial views of contour strips on Winona County farms. With him are, *left to right*, W. M. Roberts, area conservationist for the U. S. Soil Conservation Service, and John D. Bergler, member, board of supervisors of local soil conservation district**

# Building Goodwill Through Community Service

**HAROLD SEVERSON**

*The author writes for several national magazines and is a frequent contributor to* BANKING. *He lives in Kenyon, Minnesota.*

GEORGE M. ROBERTSON, president of the First National Bank of Winona, Minnesota, is known to his homefolks as "Mr. Agriculture." Week after week, year after year, he's tirelessly at work building a solid foundation of goodwill and friendship between city and rural people. It's an unusual week that doesn't find him attending at least one farm meeting or planning another. A consistent worker for every program that will make farming more profitable or pleasant, he has greatly strengthened farm-city relationships.

## National Recognition

Mr. Robertson's activities have won him praise from H. A. Flueck, director of the U. S. Soil Conservation Service program in Minnesota, and Paul E. Miller, director of the Minnesota Extension Service. The latter was so impressed by his work with the agricultural committee of the Winona Association of Commerce that he invited him to St. Paul to discuss it at a statewide conference. National recognition came when Mr. Robertson was selected as one of 30 men throughout the United States to serve on the U. S. Chamber of Commerce's agricultural department committee composed of outstanding farmers or farm economists and several representatives of branches of industry and business related to agriculture.

Appreciation of Mr. Robertson's work is not limited to professional agricultural workers. At a recent banquet for county 4-H Club leaders he was presented with a plaque to indicate the esteem in which he is held by farmers, 4-H members, and farmwives.

"George has worked quietly and without fanfare," declared Mrs. William Gellersen in presenting the award.

"He is a wonderful asset to the entire Winona region," she said. "He has subordinated his own interests in promoting better relationships between rural and urban people."

In fashioning a better agricultural program for Winona County, Mr. Robertson has made effective use of the Association of Commerce's agricultural committee. As chairman of this committee, he is able to stimulate citywide appreciation of the farmers and their programs.

"It's just a matter of courtesy," he says. "We in Winona appreciate the wonderful things the farmers of our county are doing. We want to express our appreciation by working closely with them."

## Countywide Fund

Instead of competing with other towns in Winona County, Winona businessmen try to cooperate. In working with other towns, the businessmen have redirected the 4-H Club program by allocation of funds to the projects they wish to support. Instead of bidding against each other for the top beef animals, they now contribute to a single fund. The auction plan has been dropped and a 4-H livestock show is staged

(CONTINUED ON PAGE 112)

# The Problem of High Feed Prices vs. Cheaper Meat Prices

LEONARD N. BURCH

*The author is vice-president and manager of the Livestock Loan Department of The Denver National Bank, Denver, Colorado. Mr. Burch was chairman of the recent National Farm and Ranch Congress in Denver, sponsored by the Livestock and Agricultural Committee of the Denver Chamber of Commerce, at which Secretary of Agriculture Ezra Taft Benson spoke on the Government's agricultural program. The theme of the Congress was "Today's Challenge: A Sound Agriculture for Tomorrow."*

ONE of the big problems confronting agriculture today is the high rigid price supports on some agricultural products and not on others. Corn, for instance, has had a support price of $1.62 per bushel this past year and it is reported that the support price for the 1953 crop will be $1.58. As to that small 10 percent portion of the corn crop which is consumed by humans as corn there is no problem because the American taxpayer will just be forced to pay the higher price. He will hardly go broke eating corn that is overpriced. But—as to the 90 percent portion of the corn crop which is used otherwise, the purchaser or user of that corn can safely pay no more than it is worth as a nonproduct ingredient in making his finished product. This pretty much applies whether the farmer is contemplating the purchase of corn or feeding corn of his own raising.

For the past two years men who have fed cattle or lambs, generally speaking, have lost money. This has been largely due to two things: One was the great drop in fat cattle and lamb prices; the other, the fact that rigid price supports under corn and feed grains have kept feed costs high while the price of finished animals was falling off. These rigid price supports under corn and feed grains kept the costs of the grain entirely out of line with their real value as livestock feed. In a free market, this would not have been the case, but under the support program the result has been that the cost of putting gain and finish on meat animals in a feeding operation has exceeded the price received for the increase in weight when the animals were sold.

**Secretary of Agriculture Ezra Taft Benson, *left*, is greeted by Banker Burch at Denver's National Farm and Ranch Congress**

## Cattlemen Self-Reliant

Cattlemen and sheepmen, both producers and feeders, are a pretty hardy, self-reliant lot, and have always shied away from supports and other Government assistance. They have done a pretty fair job of taking care of themselves, but now are confronted by a situation in which the interference of the Government has already hurt them, and may ruin them. In providing price supports for one segment of the economy—the producers of grains—the Government has failed to do anything about the adverse effects upon another segment of the economy, the producers of livestock.

So long as the price of meat animals remained high, the effects of the price support program were not noticeable—the high price of feed was compensated for by the price received for finished livestock. Such high prices, however, had this result: They tended to hold back the slaughter of cows and heifers. This, in turn, resulted in the cattle population increasing to record numbers, and increased livestock population eventually resulted in supply exceeding demand. Inevitably, when supply exceeds demand, prices fall. This has happened to the livestock industry.

## Supports Keep Feed High

*What hurts the industry is that, under the present program, there is no possibility of a normal adjustment. Rigid price supports are holding the cost of feed high. If this continues in a falling market—feeding costs remaining high, selling prices of finished animals dropping lower and lower—the situation for livestock men will become impossible.*

Let me illustrate what I mean: Experience has shown that when corn sells for $1.58 a bushel, the cost of putting on 100 pounds of gain on a feeder steer is about $30. If a yearling steer weighing 700 pounds is put on feed and fattened for market at a weight of 1,000 pounds, the 300 pounds of gain will cost about $90. Fat cattle finished to the grade of "choice" sold at close to 20 cents here in Denver during the months of February, March, and April. For instance, a thousand pound fat steer would bring $200 gross. If the feed cost is $90, then to break even the feeder should not pay more than $110 for the 700 - pound feeder steer off grass. This means that the producer of the feeder steer would be getting only about 15 cents a pound for his steer after selling costs are deducted.

Now, the producer of feeder cattle and lambs expects to have his product sell for less per pound than the corn-fed fattened product of the feed lot. He knows it costs less per pound to grow a grass-fed steer, but he knows it isn't fair to ask him to produce a 700-pound steer for about the same amount as the corn costs to put on 350 pounds. In a free market, corn will ordinarily sell for about what it is worth as feed. When fat cattle sell for 20 cents per pound, corn is worth from about $1 to $1.10 per bushel. At 30 cents for fat cattle, corn would be worth about $1.60 per bushel. The loss the cattle and lamb feeder had two years ago was only partly due to the high price of corn, but this past year a considerable portion of his loss was caused by corn being priced too high. Some feeders have the belief that a part of the money they lost in effect went to provide a subsidy for corn growers under the corn support program.

### Feeder's Dilemma

With a new feeding year starting this fall, the feeder is certain to do some close figuring before he goes into such an operation again, and so will his banker. First, the feeder can hardly figure on a higher fat cattle market next winter, spring, and early summer than we have had this year, and that will be the time his cattle will be fat and ready to market. Suppose he assumes that he will receive 20 cents for fat cattle, and that corn will cost about $1.58 per bushel, then in order to take care of freight, selling costs, death losses, and miscellaneous items and provide a little profit to himself, he is going to look to the one other principal factor in his computations, the only one with any "give," and that is the price he pays for feeder cattle.

It is this situation coming up this fall which is disturbing cattle men producing feeder livestock. With his costs and expenses still fixed at very high figures, he is afraid the price he will receive won't cover his costs. Naturally he is beginning to wonder about the fairness of such favoritism to the corn producer. He observes that those in the dairy industry long ago complained that corn and feed were too high for them to break even, and so the Government put a support price under butter. The result was that dairymen are producing butter largely for sale to the Government. Cattlemen do not think such a program is sound and are not asking for supports under beef cattle, but they do wonder why it is necessary for the Government to support the price of butterfat produced by a dairy cow, and yet be unconcerned about the price of beef-fat produced by a beef cow, both cows eating the same kind of feed.

They wonder if it is not more fair for all the people—through the Government—to absorb the loss. And many of them are beginning to wonder if the corn producer merits so high a support price, and what it costs to produce a bushel of corn today. Ranchers are realistic men and they know they are very much in the minority. The law is there and will be for the year 1954 also. It is not likely that it can be changed. They know that considerable corn will be sold for less than the support price, and that there are always men who will do the opposite of what other men are doing and that, therefore, some cattle and sheep will be fed again this year. They believe, however, that so many feeders will refuse to feed that the market for feeder livestock will be demoralized, they believe the Government's CCC will get so much corn that it will adversely affect feeding in future years, and that the stalemate coming up will greatly aggravate the already too high cattle population.

### Rancher Views on Supports

Since ranchers are directly affected by the costs of fattening the feeder livestock they produce, they are vitally interested in solving the problem caused by the rigid high support price on corn. They believe the support price amounts to a subsidy to the corn grower when the support price is higher than the value of the corn in the market place; and they believe such a subsidy should be paid by the Government and not by them. This would be accomplished if the Government would amend its law to provide for sale of corn at its fair value to those who use it to feed livestock in production of a product on which there is no Government support price. Dairymen producing butter would then be excluded. Such a program would mean that a farmer, after securing a $1.58 loan on corn of his own raising, might buy it from the Government for 50 cents per bushel less to feed and fatten cattle. He would be getting a direct subsidy from the Government, of course, but that would be better than having that same subsidy paid, in large part at least, by the producers of feeder livestock or the feeders who fatten them or buy them jointly. If this could be done this summer, a fairly normal feeding operation could be carried on; feeder cattle and sheep should then sell at fair prices; the feeders who fatten them would be able to do so profitably; our people would have a normal supply of corn-fed meat, and a burdensome surplus of corn would be largely avoided. The cost to the Government would be substantial, but taxpayers' losses might be avoided and profits earned instead on which the Government would collect taxes. But, the greatest benefit would come from the bolstering up of this serious weakness in our agricultural economy which is apparently unable to prosper when a part of its products have rigid price supports and the balance is unsupported.

## Davis Against Controls End

At a recent meeting of the coordinating committee of the Perishable Food Industries of the Port of New York, in New York, John H. Davis, president of the Commodity Credit Corporation through which the Government lends on farm surpluses, said he would be the happiest man in the country if industry could show how controls and the CCC could be made to "fade out of the picture," according to a *New York Times* report.

Speaking to representatives of some 3,700 food concerns, Mr. Davis said that there is no present possibility of such a return to free enterprise and expressed himself strongly against the scrapping of controls now. "They are better than nothing," he said.

According to the *Times*, he revealed that the corporation presently holds $3-billion worth of commodities, including 170,000,000 pounds of butter. He predicted that by July the Government would hold 550,000,000 bushels of wheat, up to 500,000,000 bushels of corn, and 1-billion pounds of cotton-seed oil.

Mr. Davis said that the farmer's situation is different from that of the industrial producer because the latter can key production to demand.

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# How to Apply Livestock Capital Gains Law

STEPHEN H. HART

*MR. HART, attorney for the National Live Stock Tax Committee, is a member of the firm of Holland & Hart of Denver, Colorado. When submitting this digest of the principal provisions of the Federal Livestock Capital Gains Law, he stated that it took almost seven years of hard work by the Tax Committee to get Congress to enact this measure and that the congressional committees approving it conservatively estimated it would save stockmen* $15,000,000 *a year in taxes.*

URGED by The National Live Stock Tax Committee, Congress enacted, as a part of the 1951 Revenue Act, a law which amended the Internal Revenue Code (Sec. 117-j) to provide that livestock regardless of age, shall be considered capital assets if held for draft, breeding or dairy purposes and owned by the taxpayer for at least a year. In the case of individuals, the tax consequences of this law are, generally speaking, that only one-half of the profit received from the sale of such livestock is taxable. In other words, one-half of such profit is tax free, whereas prior to the livestock capital gains law, profit received from the sale of breeding animals was fully taxable as ordinary income.

After the passage of the livestock capital gains law, the Bureau drafted regulations, issued in January as TD 5990, interpreting the law and defining what animals would qualify for capital gains treatment. By and large, they represent an equitable interpretation of the livestock capital gains law, although they contain some confusing examples and some rather limiting language, despite the fact that these examples and limitations were pointed out and criticized by the National Live Stock Tax Committee prior to the official issuance of the regulation.

The Bureau regulation, as amplified by the thinking of the Committee, can be summarized briefly by the use of the cattle breeding herd examples set forth below which can be used as a general guide in determining what animals qualify for capital gains:

### Age

(1) Each fall, Rancher A goes through his herd and picks out cows which, because of age, disease, injury, infertility, or unsatisfactory calves, are no longer desirable as a permanent part of his breeding herd. All of these animals have produced calves and have been used for breeding. There is no question that these animals (bulls as well as cows) will qualify for capital gains when sold. They have clearly been held for breeding purposes by Rancher A.

### Food Shortage

(2) Rancher B's county is hit by a serious drouth, injuring badly his grazing land and cutting down seriously on his hay crop. It is, therefore, necessary for Rancher B to cut down the size of his herd and he sells off one-half of his mature breeding herd and one-half of the heifer calves and yearlings which he was holding for replacement.

Rancher B is clearly entitled to capital gains on the mature animals which he sold and which had been used for breeding. He is also entitled to capital gains on one-half of the replacement heifers sold, since he can show that these heifers were being held by him for breeding purposes to replace the older animals culled each year. It is immaterial that these replacement heifers have not been bred or have not calved, or in other words, have not actually been used for breeding purposes. It is enough that they have been held for breeding purposes, and Rancher B need only show this in order to be successful in his capital gains claim.

The same principles would, of course, apply in the case where Rancher B dispersed his entire herd. He would be entitled to capital gains on all of the mature animals which had been used for breeding purposes as well as on all of his replacement animals. He would not be entitled to capital gains on those heifers which he was not holding for replacement purposes but which he was holding for sale. These heifers would be comparable to his steers.

### Heifer Sales

(3) In his normal ranching operation, Rancher C sells three-fourths of his heifer calves when they are about eight months old. Thinking capital gains will apply if he holds these heifers until they are 12 months old, he does so and then sells them and claims capital gains. He will lose on this claim because the fact is that Rancher C was holding these heifers for sale, not for breeding and, therefore, the mere fact that he held them for 12 months is insufficient to qualify them for capital gains treatment.

### Breeding Purpose Sales

(4) Rancher D has registered cattle and he claims capital gains on the sale of all of his bull and heifer calves on the grounds that they were sold to others for breeding purposes. Rancher D will not be successful in this claim because he cannot show that all of the bull calves and heifer calves were being held by him for his own breeding purposes. The fact that the buyers purchased them for breeding purposes is not significant.

The foregoing examples attempt to illustrate fundamental principles involved in the new capital gains law; namely, that unless a taxpayer can prove to the Government that the animals sold by him were held (i.e., used or intended to be used) by him for breeding purposes, he will not be able to prevail if he claims capital gains. Although this is a relatively simple concept, nevertheless it can be complex, particularly in a registered cattle operation where the pattern of sales and operation is not as routine or recurrent as in the ordinary commercial ranch operation. Therefore, it is incumbent upon ranchers to keep records which will show that animals on which they claim capital gains were actually being held for use in their own breeding herds.


LIBERTY
IN GOD WE TRUST
1953

# NEWS for Country Bankers

*This department is edited by* MARY B. LEACH *of* BANKING'S *staff.*

## Agricultural Credit Study

THE annual study of the Agricultural Commission of the American Bankers Association to ascertain the extent to which commercial banks and other lenders are meeting the credit needs of farmers has been completed and copies are available upon request to the Commission.

This study is the only composite compilation showing statistical farm loan data for banks and private, cooperative, and Government agencies. It makes possible a comparative analysis of volume of lending to farmers by the various agencies without the necessity of turning to several sources.

The data are presented under these six general chapter headings: "Agricultural Loan Data of Insured Commercial Banks"; "Activities of Cooperative and Government Agencies with Respect to Short-Term and Intermediate-Term Agricultural Loans"; "Banks and PCA Comparisons"; "Loan Data of Production Credit Associations"; "Farm Mortgage Loan Data"; and "Other Related Data" (including Farm Income, 1946 and 1951; Farm Income and Expenses; Change in Farm Land Prices; Comparative Balance Sheet of Agriculture, 1940-1952, etc., etc.).

## Tree Planter Gift Publicity

THE presentation of two tree planters to the county agent of Anderson County, South Carolina, for the use of the farmers of the county netted the Carolina National Bank of Anderson, the donor, triple publicity benefits.

First, the bank bought advertising space in *The Anderson Independent* to tell of the planter purchase and presentation and of the uses that can be made of them; second, accompanying a news story about the presentation, the need for the planters, their versatility, and anticipated benefits, were two photographs showing the planters being used by local farmers; and third, in his "Green Acres" column, County Agent J. H. Hopkins announced their availability and told how the last farmer to use a machine would demonstrate it to the next user.

All of these announcements appeared on the "Carolina-Georgia Farm News" page of the *Independent* on the same day that the paper announced "Soil and Water Conservation Week" in the Piedmont area.

The planters were presented to Mr. Hopkins on behalf of the bank by President Donald E. Brown.

## Minnesota BA Scholarships

TWO-YEAR scholarships for the University of Minnesota agricultural short course are now available in 40 Minnesota counties, according to C. W. Wilkins, president of the First National Bank of Austin, and chairman of Minnesota Bankers Association's scholarship committee.

In recent months 12 additional counties have announced their support of the association's scholarship program by offering these awards to qualified high school students who do not plan to enroll in a four- or six-year course, but wish to get further vocational training with a view to continuing in the business of farming or homemaking.

Mr. Wilkins states that bankers in 28 counties had previously awarded the scholarships to 40 qualified young men and women from their communities and that 10 of the winners completed the two-year course this spring.

In most cases, the scholarships are for $400 to be applied toward expenses at the university. This fund is split into two-year sections, $200 being allotted for each.

## Credit Confab Country Style

NEARLY 200 bankers, soil conservationists, and agricultural experts attended a farm credit con-

(CONTINUED ON PAGE 103)

## Employee Selection-Training Methods

"THE new employee is given on-the-job training by some of the older employees, but they are required to attend A.I.B. classes to take the elementary subjects; at least, that is, 'Banking Fundamentals' and 'Negotiable Instruments,' and then they can continue with the other A.I.B. courses, if they so desire," Mildred N. Whitby, assistant cashier, the National Bank of Olyphant, Pennsylvania, said recently in a talk on "Personnel and Operating Assets." "However," she said, "the bank pays the cost of tuition for all courses and encourages employees to take as many as possible. . . .

"When a new employee is needed, we ask everyone in the bank if they know anyone who would be desirable. This gives each an opportunity to suggest someone. Sometimes they know the qualifications of a prospect better than we would ever learn through an interview or several interviews. Many of our employees have come to us because they have first been suggested by other employees. They have always turned out very satisfactorily. This method also gives our employees a feeling that they are responsible for this new employee making good.

"We feel this system gives each one a part in the operations of the bank, and through it we have realized a closer relationship among employees . . . an appreciation in the value of our assets."

# BANK LAW NEWS

*Rights of Dissenting Shareholders—Checks*

## MERGER—RIGHTS OF DISSENTING SHAREHOLDERS

**Maryland's Supreme Court Upholds Constitutionality of Merger Provisions of Model State Banking Code**

MARYLAND'S new bank merger statute, patterned on Title 3 of the A.B.A. Model State Banking Code, is not invalid as "class legislation," and does not violate the due process clause of the Federal Constitution, that state's highest tribunal has held. In so holding, the court dismissed a suit in which shareholders dissenting to a merger sought to have the value of their shares determined by proceedings in a court of equity rather than by the procedure set forth in the statute.

Plaintiffs in the suit owned 88 shares of stock in a merging bank. They received due notice of the plan of the proposed merger and of the fact that the bank merger law provides that dissenting shareholders "will be entitled to payment of the value of only those shares which are voted against approval of the plan." However, they failed to vote their shares for or against the plan, although they did file with their bank a written objection to it.

### Plaintiff's Contention

Plaintiffs conceded that if the law were valid they were not entitled to an appraisal. However, they contended that the law is unconstitutional and that their rights should be governed by the Maryland merger law applicable to corporations generally. This law entitles an objecting shareholder to payment of the "fair value" of his stock if he merely files written objection to a proposed merger and does not vote in favor of it. If he is unwilling to accept any written offer for his stock, the law permits him to petition a court of equity to appoint three disinterested appraisers to fix its value, and provides that the court shall enter judgment for that amount plus interest from the date of the shareholders' meeting at which the merger was approved.

### Bank Merger Statute

The Court of Appeals denied plaintiffs' contention and held that their rights were governed by the bank merger statute. This law, in addition to requiring dissenting shareholders actually to vote against a merger, provides that the "value" of their shares shall be determined by three appraisers, "one to be selected by the owners of two-thirds of the shares involved, one by the board of directors of the resulting state bank, and the third by the two so chosen." It also provides that if an appraisal is not made within 90 days, or if a shareholder appeals from the appraisers' valuation, the bank commissioner shall cause a "final and binding" reappraisal to be made, and that any amount accepted by a shareholder or finally fixed by appraisal shall constitute a debt of the resulting bank. It makes no provision for payment of interest.

In answer to plaintiffs' contention that the bank merger statute violated the state constitution as "a special law passed to cover a situation for which provision has been made by an existing general law," the court stated: *That the business of banking bears such a relation to the economic security of the public as to be a legitimate subject of regulation by the State in the exercise of its police power, and of separate treatment, by classification not plainly unreasonable or arbitrary, needs no elaboration.*

The court found no violation of the due process clause of the constitution in the fact that the law substituted "compulsory arbitration plus an administrative remedy" for a judicial determination of the rights of dissenting shareholders. It also found "no merit" in the argument that the law conferred judicial power upon the bank commissioner. Appraisal is not a judicial function, the court held. It found no reason why determination of the value of dissenting shares may not be left to appraisers selected by the parties, instead of by the court, and no reason why a court's judgment should be substituted for that of appraisers.

### The Court Holds

The fact that the bank merger statute "is silent as to notice to or hearing of the dissenters in connection with the determination of value . . . does not vitiate it," said the court. "It may well be that such rights are implicit in the statute, or would be read in if necessary to sustain its constitutionality. We cannot assume that they would be denied to dissenters. Even though the statute does not authorize an appeal from a final determination of value, review may be had to determine whether the action was contrary to law, unsupported by substantial evidence, or otherwise arbitrary, unreasonable or beyond the limits of due process."

The court declined to hold that because the statute was silent as to payment of interest, it could not be paid. The court did point out that "interest, as such, plays no part in the valuation," and that its allowance in the general corporation merger law "was probably designed to impose a penalty for undue delays." In the case of the bank merger statute, the court suggested that the legislature considered the 90-day time limit upon appraisal a "fair substitute."

So far as the use of the terms "value" and "fair value" in the two statutes was concerned, the court held that those terms and the

(CONTINUED ON PAGE 74)

# Pension Plan Guide

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(CONTINUED FROM PAGE 72)

term "fair cash value" are "practically synonymous." Burke v. Fidelity Trust Co., 96 A.2d 254.

## PAR CLEARANCE

**Court affirms right of North Dakota banks to charge exchange on checks presented other than over-the-counter.**

IN North Dakota, plaintiff oil company deposited in its bank at Enderlin three checks drawn on defendant bank at Buffalo, in the same state. Plaintiff's bank transmitted the checks to its correspondent in Minneapolis. That bank transmitted them by cash letter to defendant. Defendant issued drafts for the amount of the checks, less 20 cents exchange charge, and, in due course, plaintiff's bank credited this sum to plaintiff's account.

### *20 Cent Suit*

Plaintiff then sued defendant for the 20 cents and an injunction enjoining it from withholding such charges in the future. It claimed that a relationship of agency existed between it and its bank and between it and the correspondent bank in Minneapolis as a sub-agent, and that knowledge of this agency was imputed to defendant by the North Dakota statute authorizing banks to forward items for presentment or collection directly to the bank on which they are drawn.

Plaintiff further contended that defendant received the checks "from an agent of the plaintiff and took them into its custody as an agent of the makers of the checks; that the relationships which are by law presumed to exist between the plaintiff and the makers of the checks are actually or constructively within the knowledge of the maker's agent the defendant, and that when the defendant remitted to the plaintiff's agent [the Minneapolis correspondent] it was obligated to remit either in money or by a good draft the full amount of each of the checks."

Defendant contended that all this talk of agency relationships was immaterial. The point, it argued, was whether it was true that its only duty with respect to cashing checks drawn upon it is to cash such of them as are presented "at its counter in its banking house," and that when it received checks by mail with a request to cash them and remit the proceeds by draft it had the right to make a reasonable charge for the service. Defendant further asserted that its exchange charges were in conformity with regulations of the North Dakota Banking Board. Plaintiff, said the defendant, had failed to establish any cause of action.

The Supreme Court of North Dakota agreed and dismissed the action. First pointing out that North Dakota has no statute requiring state banks to clear all checks at par, and that in North Dakota the common law applies in the absence of any pertinent statute, the court stated the common law rule: A drawee bank is obligated to pay in cash such checks as are presented at the bank, but not to remit the proceeds to distant places.

*Non-FRS Banks*

The court then noted that the Federal courts have held that "nonmember banks, being without the pale of the Federal Reserve Act, have the right, if they see fit, to charge reasonable exchange on remittances," and that the Federal Reserve Act itself expressly permits nonmember banks to make a reasonable charge for collection.

The charges made by defendant were "in conformity with the schedule adopted by the State Banking Board of the State of North Dakota in 1944," said the court. "There is no showing, nor do we find that the schedule prepared by the state banking board conflicts in any way with the laws of the state or with the laws of the United States." McLaughlin Oil Co. v. First State Bank of Buffalo, 57 N.W.2d 860.

JOHN RENÉ VINCENS

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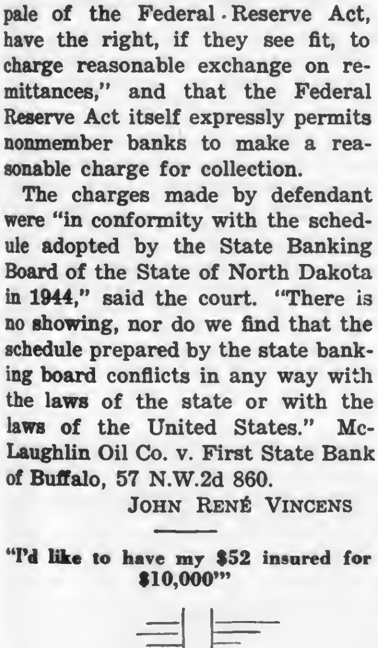
**"I'd like to have my $52 insured for $10,000'"**



# Other Organizations

*The news in this department is edited by* William P. Bogie *of* Banking's *staff.*

One of the meetings of the Mexican Bankers Association in the auditorium of the Hotel Papagayo, Acapulco. This year's meeting marked the MBA's 25th anniversary

## FPRA

The 1953 Visual Education Committee of the Financial Public Relations Association recently held its first meeting in the Association's Chicago office under the chairmanship of Lawrence J. Smotherman, assistant vice-president, First Wisconsin National Bank, Milwaukee. It gave final approval to a new sound slidefilm on the use of the telephone. Preliminary work on the film had been done last year under the leadership of Moses M. Shaw, director of public relations, South East National Bank, Chicago.

The new film is scheduled for release in July or sooner. It deals with the use of the telephone from a public relations viewpoint, rather than from one of technique, which has been covered by a number of films available from the Bell System and other sources.

* * *

William E. Singletary, assistant vice-president of the Wachovia Bank & Trust Co., Winston-Salem, N. C., has been appointed general program chairman of the 1953 convention of the FPRA according to an announcement of William B. Hall, FPRA president, who is vice-president of The Detroit (Mich.) Bank. The convention will be held at the Sheraton-Cadillac Hotel, Detroit, October 11-15.

(Continued on page 78)

## SOME NEW STATE ASSOCIATION PRESIDENTS

*Left to right:* CONNECTICUT—Clayton C. Chase, president, New Britain National Bank; NEW YORK—Stanley A. Neilson, president, Bank of Gowanda; ILLINOIS—Horace S. French, president, Manufacturers National Bank of Chicago



*Left to right:* MISSOURI—John Rogers, cashier, First National Bank, Milan; MINNESOTA—Wallace L. Boss, vice-president, The First National Bank of St. Paul; OKLAHOMA—R. Elmo Thompson, executive vice-president, First National Bank & Trust Co., Tulsa



*Left to right:* PENNSYLVANIA—J. C. Warner, Jr., president, First National Bank of Milford; NORTH CAROLINA—John P. Stedman, president, The Scottish Bank, Lumberton; MARYLAND—Thomas E. McConnell, vice-president, Maryland Trust Company, Baltimore



*Left to right:* ARKANSAS—W. A. Stone, president, Phillips National Bank, Helena; MAINE—Chester G. Abbott, president, First Portland National Bank; CALIFORNIA—W. P. Murray, president, Bank of San Rafael



*Left to right:* WASHINGTON—Lyal L. Stringham, vice-president, Seattle First National Bank, Walla Walla; MASSACHUSETTS—Clarence G. McDavitt, Jr., chairman and president, Somerville National Bank; NEW HAMPSHIRE—Robert G. Calef, assistant cashier, Keene National Bank



*Left to right:* OREGON—Clifford C. Clarkson, vice-president, First National Bank of Portland; ALASKA—Marshall Crutcher, president, Bank of Kodiak; ALABAMA—L. Y. Dean, III, president, Enfanla Bank & Trust Co.

(CONTINUED FROM PAGE 76)

## PBA Secretary

BELDEN L. DANIELS has been appointed secretary of the PENNSYLVANIA BANKERS ASSOCIATION effective July 1, 1953. The announcement was made by PBA President George C. Rutledge, president, Johnstown Bank & Trust Co.

Mr. Daniels was named to the post by the PBA Executive Committee. He will replace Carl K. Dellmuth, who has resigned effective June 30 to become vice-president of Fidelity-Philadelphia Trust Co. Mr. Daniels has been serving as assistant secretary of the PENNSYLVANIA BANKERS ASSOCIATION since July 1, 1952.

He was born in Dallas, Texas, July 31, 1909. His family moved to Harrisburg in 1927.

He graduated from Dartmouth College in 1932.

## Michigan Staff

THE MICHIGAN BANKERS ASSOCIATION has announced the appointment of Ben H. Timmer as an assistant on the MBA staff in Lansing. Mr. Timmer was, several years ago, on the staff of the Peoples State Bank, Holland, Michigan.

> *June Omission*
>
> Last month this department reported the visit to the American Bankers Association headquarters in New York of representatives of the Michigan Bankers Association. In a caption under a picture of the group there was inadvertently omitted the name of Ralph L. Stickle, executive manager of the MBA, who was second from the right in the picture.

## Activities

THE PENNSYLVANIA BANKERS ASSOCIATION has just published a booklet, entitled *PBA Report of Activities*, which outlines the recent activities and accomplishments of the PBA.

Through illustrations and short articles, the report gives a view of the varied activities of the PBA in the fields of legislation, organization, research, liaison with other organizations, publications, and education.

## Heads APW

RUTH E. SHERRILL, assistant vice-president of The First National Bank of Memphis, Tennessee, and manager of its government bond department, will serve as president of the ASSOCIATION OF BANK WOMEN for the unexpired term of Catherine B. Cleary, who has become assistant treasurer of the United States.

Mrs. Sherrill is a native of Nashville, Tennessee. Her banking career started in 1929 when she became associated with the bond department of The First National Bank of Memphis. In 1951 she was made assistant vice-president.

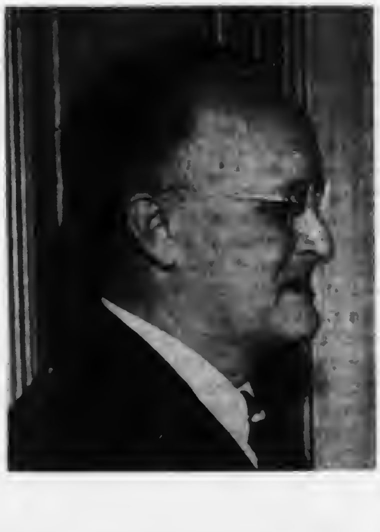
## Virginia Manuals

THREE manuals prepared by committees of the Virginia Bankers Association have been released to member banks of the VBA. They are: (1) *Manual of Procedure for Directors' Examinations,* (2) *Trust Services in Virginia Banks,* and (3) *Manual of Safe Deposit Operation.*

## Mutuals' Directory

THE 1953 edition of the *Mutual Savings Bank Directory* has been released by the NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS. It records an over-all increase of deposits during 1952 of $1,710,000,000. Total deposits of the 528 mutual savings banks in the nation at the year-end stood at $22,610,000,000 and depositors numbered 19,881,000.

**Charles A. Moberg, newly elected president of the American Safe Deposit Association, is on the staff of the First National Bank of St. Paul**



# BANKING NEWS

## Realistic, Workable and Equitable Bank Reserves Formula Urged by Brenton; Names Basic Principles

One of the important ways to strengthen the capital structure of banks is by the establishment of adequate reserves for losses, W. Harold Brenton, president of the American Bankers Association, told the Maryland Bankers Association on its convention cruise to Bermuda.

Speaking on "Future Trends in Banking," President Brenton revealed that the A.B.A. "is studying formulas and working with the Treasury Department toward a workable solution of the reserve problem."

"We can't have a stable economy without strong banks," said Mr. Brenton. "If we are to maintain a strong free economy in America, it is a 'must' that banks be able to meet a crisis without depending on government for financial support. Banks should be bulwarks of strength in a crisis. (This was not true in the last depression.) Otherwise they add to the emergency instead of being able to lend a supporting hand.

#### Statutory Law

"The present statutory law in the Internal Revenue Code permits as a deduction for income tax purposes a reasonable amount which can be added to a reserve for bad debts. In 1947, when mimeograph 6209 was adopted, under the law, it was the understanding of the Treasury Department and the American Bankers Association that the method would be tried on an experimental basis. The original formula had considerable merit because it was an effort in the right direction, but through use it has been found to be inadequate.

"It is the firm belief of the A.B.A. that a more realistic, workable, and equitable formula should be substituted. The present regulation should be broadened and simplified, and this can be done under the existing statutory law.

"Here are two basic principles which are necessary for a proper reserve:

"(1) The reserve must be large enough to do a complete job—covering losses that tend to be concentrated in poor years.

"(2) The same reserve formula should apply to all banks since they all operate under the same economic conditions.

"We believe the Treasury Department has men in it who recognize the wisdom of a broader reserve formula. What they need is to be convinced that the public will recognize the propriety for an adequate reserve and that such reserve will give protection to the public's best interests in times of stringency.

"The public, and men in government, must be made to understand that an adequate reserve allowance is distinctly not a device for tax avoidance. An adequate reserve can be made one of our most useful tools for ironing out the peaks and valleys and perpetuating a strong economy in this country.

"I bring this subject to your attention since it is up to the bankers of this country to see that leaders understand and support the principles that contribute to sound banking."

## "Night Depositories and Related Services" Subject of A.B.A.'s Newest Manual

The Bank Management Commission of the American Bankers Association has produced a new manual, *Night Depositories and Related Services*, which is being mailed to all A.B.A. member banks, it is announced by Raymond C. Deering, chairman of the Commission and vice-president and comptroller of Manufacturers Trust Co., New York.

A preliminary step in the preparation of the manual was a questionnaire to 200 key banks.

The titles of the principal divisions of the new 36-page manual are: "Determining the Need for Night Depository Service;" "Types of Equipment Available;" "Location of the Equipment;" "Agreements and Regulations;" "Procedures and Records."

The committee responsible for the new publication is composed of: Orval U. Habberstad, president, Union National Bank, Rochester, Minnesota, *chairman;* W. W. Cottle, vice-president and cashier, Security-First National Bank of Los Angeles; Charles S. Conklin, second vice-president, First National Bank, Atlanta; Glenn E. Schwemley, assistant vice-president, Ohio National Bank, Columbus, Ohio.

#### Will Elected to G. S. B. Board of Regents

Robert Buskirk Will, president of the Vinton County National Bank, McArthur, Ohio, was elected as permanent representative of the Class of 1953 on the Board of Regents of The Graduate School of Banking.

(See page 94 for officers of the Class of 1953.)

## Merle E. Selecman Gets Honorary LL.D. Degree From Lincoln College

An honorary degree of doctor of letters was conferred upon Merle E. Selecman, executive manager of the American Bankers Association, by Lincoln College of Lincoln, Ill., at the college's commencement exercisese on June 1.

The college celebrated its 88th anniversary during its commencement season, while Lincoln, the only city in the United States to be named for Abraham Lincoln before his election to the presidency, celebrates its centennial.

In conferring the honorary doctorate, President Raymond Dooley told Mr. Selecman he was thus honored because of "your enduring interest in the problems and needs of young people as evidenced in your business career . . . and in recognition of the interest you have taken in private Christian higher education."

"Just six weeks before Lincoln College was founded by charter from the State of Illinois another event took place nearby which was destined to be tremendously important to me," Mr. Selecman told the graduates in his commencement address. "In nearby McDonough County at McComb on January 1, 1865, a baby boy was born. This birth . . . was important to me, because that baby boy was my father."

Mr. Selecman was born in Maryville, Mo., and received his A.B. degree from Northwest Missouri State College and his A.M. from Northwestern University, Evanston, Ill.

Since 1946 he has been an active member of the board of directors of the New York City Y.M.C.A. and chairman of its Finance Committee.

# A.B.A. Spokesmen Testify Against Legislation Which Would Establish New Agency for Extending Credit to Small Business

Spokesmen for the American Bankers Association testified against proposals for a Government credit agency for small business—first at hearings before the House Banking and Currency Committee and again at a hearing of the Senate Banking and Currency Committee.

Everett D. Reese, vice-president of the A.B.A., and William F. Kelly, chairman of the Association's Small Business Credit Commission, were the A.B.A. spokesmen. Mr. Reese is president of The Park National Bank of Newark, Ohio; Mr. Kelly is executive vice-president of The Pennsylvania Co., for Banking and Trusts, Philadelphia.

The House Bill was H.R. 5141, which would establish an independent Government agency to be known as the Small Business Administration, which would be provided by the U. S. Treasury with a half-billion dollars (since amended to a quarter billion) to make "loans or advances" to what the bill calls small business.

Mr. Reese stated the policy of the A.B.A. and reviewed the history of Association activity in the small business field.

#### Reasons A.B.A. Opposes

"The American Bankers Association is opposed to Government lending for the following reasons," he declared:

"(1) Lending by Government agencies to private business is not a proper governmental function for the reason that the funds to be lent are raised by taxation of all the citizens and used for the benefit of a selective group.

"(2) Such lending is conducive to the making of loans in many cases to poorly managed or marginal concerns, which as a result are kept alive in unfair competition with well managed and soundly financed other small business concerns.

"(3) Government lending vests in governmental agencies too much authority which can be used unwisely and to further self-interests.

"(4) Most governmental agencies do not pay their own way. The expense of processing a loan by the Government is extremely costly."

Mr. Kelly criticized severely the definition in the bill of a small business concern as being "one which is independently owned and operated and which is not dominant in its field of operation." Mr. Kelly said: "Under this description, it would be possible to consider the Studebaker Manufacturing Company and the Hudson Motor Car Company as small business because in the field of their operation—the automobile industry—they are small

**Mr. Kelly presents A.B.A. position to Senate Banking Committee**

in relation to General Motors and Chrysler Corporation despite the fact that these two companies employ several thousand employees and have assets running into millions of dollars. Any corporation whose stock is widely owned by many shareholders does not seem to me to represent small business," he added. "I think of small business as being closely owned by individuals in a local community."

In regard to S.1523, he stated that net tangible worth is a better measurement of size. "For lending purposes, it would seem desirable to consider whether or not a concern is small by the amount of its net tangible worth," he declared.

He also criticized the provision of Government funds to the proposed Small Business Administration without cost.

Pointing out the conflict between the Small Business Administration concept and the drive of the Administration for economy, he declared that "before considering the establishment of a new agency, it would seem desirable to wait until final determination is made as to what is to be done with the RFC and SDPA."

Concluding, Mr. Kelly said: "We believe there is no need for any governmental agency at this time to make loans, directly or indirectly, or to guarantee or insure such loans to small business concerns. We are not in a depression. On the contrary, business is running at high levels and shows no sign of abatement. It seems almost incredible that we should be talking about Government credit needs of small business under the present healthy business conditions."

# A.B.A.'s Brenton and Reese Make 59 Speeches Before Banking Groups This Year

Since his election to the presidency of the American Bankers Association on last October 1, W. Harold Brenton, president of the State Bank of Des Moines, Iowa, has made 35 addresses in 27 states and the District of Columbia. In addition, he accepted two speaking appointments outside of the country: one en route to Bermuda on the *Queen of Bermuda* for the Maryland Bankers Association, and the other in Victoria, British Columbia, where he spoke before the Washington Bankers Association.

These speeches were made before banking groups, largely state bankers association conventions and American Bankers Association meetings and conferences.

While President Brenton was criss-crossing the country outlining his views on banking, economics, and government, Vice-president Everett D. Reese was also filling speaking appointments from coast to coast. His travels took him to 21 states for 22 addresses before banking groups.

#### Brenton-Reese Itineraries

By and large, the itineraries of Mr. Brenton and Mr. Reese took them to different states and different meetings. Although their itineraries for the remainder of the Association year are incomplete, Mr. Brenton is scheduled to make one mid-summer talk. Mr. Reese is already scheduled for five addresses between October 1, 1953 and February 10, 1954.

Mr. Reese is president, The Park National Bank of Newark, Ohio.

### *Money Management on Trial*

"It should be emphasized that neither Federal Reserve policy nor debt management can guarantee the stability of our economy—both can help, if wisely administered," said Dr. E. Sherman Adams, A.B.A. deputy manager in charge of the Department of Monetary Policy, in an address before the Connecticut Bankers Association on "Monetary Management on Trial."

"Circumstances have conspired to place monetary management once again on trial at the bar of public opinion. It is important for the future of America that this trial should be fairly judged."

# "The Bank Teller," "Home Mortgage Lending," New A.I.B. Texts, Out in Fall

Two new American Institute of Banking textbooks, *The Bank Teller* and *Home Mortgage Lending*, are nearing completion and will be released about September 1, 1953, for use by chapter, study group, and correspondent course students, according to National Educational Director Leroy Lewis.

*The Bank Teller* is a revision of *The Teller's Handbook* published first in 1943 and revised in 1951. Although written with the commercial bank teller in mind, much of the material applies also to the work of savings bank tellers. The text of the revised edition of the *Teller* was arranged by E. Parker Calvert, assistant cashier of the First National Bank of Boston. Much of the original material has been rewritten and reorganized to provide an up-to-date story of the teller's work.

This new *Teller* text is a further expansion of the Institute's short-course program for orienting new employees and the training of other employees for teller duties. *The Bank Teller* is a companion of *Proof and Transit* and *The Bank Bookkeeper*, published in 1952, and *You and Banking*, published in 1951.

### Potts, Calvert Authors

James E. Potts, at that time assistant vice-president of The First National Bank of Boston, was the author of the original *Teller's Handbook.* The revision made by Mr. Calvert in 1951 was reviewed before publication by William T. Dunn, at that time director of staff training, Bank of America, San Francisco, and Arthur S. Greiner, National Bank of Detroit.

The 1953 edition of *Home Mortgage Lending* reflects the modern approach of banks to mortgage lending. It discusses the many factors that affect present-day mortgage requirements. In addition, it presents the fundamental principles of sound real estate credit, the legal aspects of effective mortgage contracts, and the principles of proper loan servicing.

The following indviduals contributed one or more chapters of the book:

Richard A. Booth, president, Springfield (Mass.) Institution for Savings; W. R. Bryant, assistant vice-president, American Trust Co., San Francisco; Elmer S. Carll, president, Industrial Trust Co., Philadelphia; H. T. Denyes, general vice-president, Industrial National Bank, Detroit; Harry Held, vice-president, The Bowery Savings Bank, New York; Leroy B. Lundblad, vice-president, Citizens Savings Bank, Providence; Norman P. McGrory, vice-president, The Howard Savings Institution, Newark; Thomas L. Nims, assistant secretary, Savings and Mortgage Division, A.B.A., New York; Harold L. Reeve, senior vice-president, Chicago Title and Trust Co.; V. R. Steffensen, senior vice-president, First Security Bank of Utah N. A., Salt Lake City; Arnold E. Worth, assistant treasurer, Newton (Mass.) Savings Bank.

Earl B. Schwulst, president, The Bowery Savings Bank, New York, served as chairman of the Committee that built the book. Besides the chapter authors, other members included: Wendell T. Burns, senior vice-president, Northwestern National Bank of Minneapolis, and president of the A.B.A. Savings and Mortgage Division, and Joseph E. Perry, president, Newton (Mass.) Savings Bank, and past president of the Savings and Mortgage Division.

In addition to his own contribution of text material, Mr. Held painstakingly reviewed every chapter, revised much of the material, and rewrote some of it, in the interest of continuity and uniformity of style. The accuracy and the high quality of the entire text are a tribute to his enthusiasm.

J. R. Dunkerley, A.B.A. deputy manager and secretary of the Savings and Mortgage Division, consulted with the Committee in the text's preparation.

## *Business Administration and Accounting I Groups Meet*

Critic Committee reviews manuscript of the American Institute of Banking's new textbook on *Business Administration*, authored by Dr. John Bryson, associate professor of sociology, New York (N. Y.) University, on a sultry Spring afternoon in Manhattan. It is anticipated that this text will be available to chapters and study groups in January 1954. *Clockwise around the table*, A.I.B. Textbook Editor Marion Turner; Dr. J. M. Ashton, research director, Oklahoma Chamber of Commerce, Oklahoma City; Frances Whyte, A.I.B. textbook staff; Dr. Leroy Lewis, national educational director, A.I.B., Dr. Bryson; Wm. G. F. Price, vice-president, Bank of the Manhattan Co., New York; A. Anton Friedrich, professor of economics, Washington Square College, NYU; and Dr. Weldon Welfling, director, School of Social Science, Simmons College, Boston.

A.I.B. Accounting I Textbook Committee meets to outline new texts for Accounting I and II, both of which will be authored by Leo Schmidt, professor of accounting, School of Business Administration, University of Michigan, Ann Arbor. These texts will be complete re-writes and will not be available for use until June 1955 and 1956. *Clockwise around the table*, O. K. Thornton, CPA, Dallas; Marion Turner, A.I.B. textbook editor; Jesse H. Lawrence, The Chase National Bank of New York; Mr. Schmidt; Frances Whyte, A.I.B. textbook staff; Robert L. Mannix, professor of accounting, College of Business Administration, Boston University; and Dr. Leroy Lewis, national educational director, A.I.B.

# News for Instalment Credit Men

### Items and Comment from Our Instalment Credit Commission and Other Sources

## Commission Sees Tightening of Instalment Credit Terms Through Strict Adherence to Established Bank Policies

The Instalment Credit Commission of the American Bankers Association sees a trend toward the tightening of instalment credit terms—perhaps not to the extent of actually shortening maturities, but more through allowing no exceptions to established bank lending policy.

In its newly distributed *Timely Notes on Instalment Credit*, the Commission points out that it has been easy to come out ahead in instalment lending in a period of rising economy; that its own delinquency studies belie the recent scare stories concerning mounting delinquencies; but that this is the time for all banks to reexamine their credit policies.

*Timely Notes* is the work of the Instalment Credit Commission and the Federal Reserve District Chairmen of its Advisory Board. It points out that "in recent years it has not taken any courage or any great amount of skill and judgment to extend instalment credit. We have been operating in a period of rising economy, full employment, high wages, and in general a sellers' market. Also, during the postwar period, commercial banks have been guided by conditions and have been able to build up a substantial profitable volume of instalment credit business. *Important to remember! These are not considered normal conditions in instalment lending.*

"It is our belief that *now* is the time for all bankers in instalment credit to prove that they have the skill and the know-how to extend this credit safely and profitably under more normal conditions. *Now* is the time for courage —true, cautious, careful courage."

Each bank, the Commission avers, should reexamine immediately its credit policies with respect to the following:

"(1) Adequate down-payment and terms of repayment. These must be consistent with depreciation from time, average use, and obsolescence.

"(2) Review of the moral integrity and financial responsibility of all dealers. Maintain adequate current dealer files.

"(3) Dealer inventory. Watch dealer inventory closely and maintain at levels consistent with his normal seasonal turnover. Heavy production of durable goods may bring about excessive inventory situations, which in turn encourage short down-payments, extended terms, and substandard credit risks. Watch closely special models. This merchandise is generally higher priced and moves slowly. When such models are on floor plan several months and are not selling, obtain increased payments from dealers.

"(4) Collections. Every bank dealing in instalment credit must have a collection system adequate for its individual needs based on established policies. Systematic persistence is an excellent definition of a proper collection operation.

"(5) Audits and controls. Period floor plan checking is most important. Spot check by telephone a percentage of retail transactions before purchasing. Spot check by mail or telephone a percentage of retail transactions after purchase. Auditor or comptroller should run periodic audits of department and insist on complete supervision.

"These are only a few ideas to alert banks in maintaining a sound and profitable operation."

#### "Middle of the Road"

The Commission feels that "all instalment credit bankers must recognize the necessity for keeping the terms on this credit on a sound basis. Debt should not be made attractive and terms should not sell merchandise. The greater the equity and the shorter the term are assurance that the merchandise will stay sold and collection and repossession problems will be held at a minimum. The extension of instalment credit is a highly flexible and personal matter. Adopting a sound, constructive middle of the road policy is the present course to follow."

The Instalment Credit Commission determined to discover exactly what terms are being extended currently by the commercial banks of the county. To that end, it asked the chairmen of its Advisory Board to conduct studies in their areas. The composite results of this survey are shown at left.

### *Instalment Credit Terms*

| *Class of Business* | *Minimum Down-Payment* | *Maximum Maturity* |
|---|---|---|
| (1) Automobiles | | |
| (a) New cars—1953* | 33⅓% | 24 months |
| (b) Used cars—1952-53 | 33⅓% | 24 months |
| (c) Used cars—1949-50-51 | 33⅓% | 18-24 months |
| (d) Used cars—1947-48 | 40% | 12-18 months |
| (2) New Household Appliances** | | |
| (Minimum monthly payment, $7.50; Minimum down-payment in cash, $10.00) | | |
| (a) Refrigerators, washing machines, deep-freeze units, ranges, and other white goods | 10% | 24 months |
| (b) Television | 10%-15% | 24 months |
| (c) Radio, radio-phonograph, and other electrical appliances | 10% | 18 months |
| (3) Furniture** | 10% | 24 months |

*Pacific coast: 10% and 30 months.
**In cash, exclusive of trade-in.

#### Correction

In reporting in last month's BANKING on the 25th anniversary of the personal credit department of The National City Bank of New York, the final sentence should have included the words "and to other small businessmen" so that it would read as follows: Loans to some 101,000 individuals, for the business needs of veterans under the GI Bill of Rights and to other small businessmen, amount to $168,000,000.

# News on Savings Banking

Items and Comment from Our Savings and Mortgage Division and Other Sources

## Classified Advertisements Used Successfully to Push Savings Accounts, Services

The classified advertising pages of the local newspapers are being used successfully in soliciting savings accounts by several banks, including The First National Bank, McKeesport, Pa.

As competition increases for the savings dollar among all types of institutions the country over, new methods are being devised, and older methods which were good in the past are being dusted off. In McKeesport, the use of classified advertising is filling an important service. This approach was used to promote the Christmas Savings Club plan last year. This type of space proved an excellent means for listing the weekly payments of the different club classifications and the amounts that could be saved.

"Watch Your Money Pile Up" is the heading of another advertisement which encourages readers of the classified pages to obtain from the bank a "crystal clear" home bank for saving small change. Developing the saving habit to provide for children's education, home improvements, or any other special needs are also emphasized. While some form of saving is the special objective of this type of advertising by the bank, it is not entirely limited to this purpose. From time to time other banking services are included.

In answer to the question, "Why run a classified advertising campaign?" Wilson Parfitt, assistant vice-president, and a member of the Savings and Mortgage Development Committee of the A.B.A. lists the following reasons:

(1) *Vast Audience:* Newspaper readers voluntarily read classified ads; 63 percent of readers read something in classified section each day.

(2) *Simplicity:* No large type-cuts, borders or art work needed.

(3) *Low Cost:* Low classified rates mean persistent day after day messages to the public.

(4) *Adaptability:* Classified usage is flexible. It can be used for any or all bank services.

(5) *Results:* Classified is the type of advertising used by the reader. It's the people's market place. Readers react faster to classified.

This classified campaign is credited with the growth of savings accounts at the McKeesport bank.

## A.B.A. Files Protest Against Extending Federal Credit Union Loan Terms from Three to Five Years Under S. 1666

Opposition to Section 4 of the Federal Credit Union Bill (S. 1666) extending the maximum maturity of loans made by the unions from three to five years was set forth in a statement filed with the Subcommittee on Securities, Insurance, and Banking of the Senate Banking and Currency Committee by the American Bankers Association.

In tracing the history of the Federal Credit Union Act, enacted in 1934 and subsequently amended, the A.B.A. stated:

"In 1949 the act was once more amended to increase the amount that could be loaned without security from \$300 to \$400 and the maximum maturity of loans to members was increased from two to three years.

"The Federal Credit Union Act, as enacted in 1934, had as its purpose, among other things, 'to make more available to people of small means credit for provident purposes through a national system of cooperative credit.'

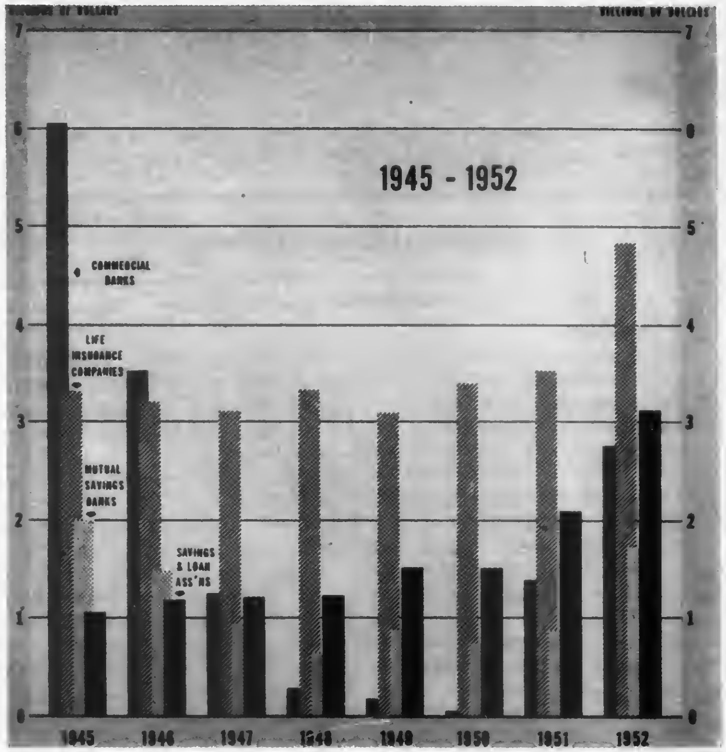
"The discussions in Congress prior to its enactment make it clear that the act is intended to provide credit in small amounts to people who are closely associated together in employment, or social or fraternal activities, in order to meet temporary emergencies and to take care of temporary needs.

"Surely a member would not need a term of five years in which to pay back a loan of a few hundred dollars. Therefore, the only apparent reason for the extension of the maximum maturity

(CONTINUED ON PAGE 85)

### Comparison of Increases in Savings Held by

***Commercial Banks—Mutual Savings Banks—Life Insurance Companies—Savings and Loan Associations***




FDIC

## Citizenship Education Was Emphasized at New York State School Savings Forum

"Education for Citizenship" was stressed at the Eighth Annual All-Day Meeting of the School Savings Forum of New York State held in Rochester, with the Rochester Savings Bank, The Monroe County Savings Bank, and The Community Savings Bank as hosts. Katharine Zimmerman, director of school savings for the Rochester Savings was chairman of arrangements.

The annual meeting, sponsored by the School Savings Forum of the Savings Banks Association of the State of New York, is the climax, each year, of the Forum's meetings devoted to furthering the program of school savings banking. Cortland Burckhardt, principal executive assistant of The Bowery Savings Bank of New York City, is chairman of the Forum.

New York State has 1,693 schools participating in school savings, with a total of 1,094,403 school bankers. These boys and girls had to their credit a total of $37,472,891.31 on March 31, 1953. These figures indicate an increase of 67,981 pupils participating over the previous year and a gain of $5,101,457.69 in the amount due these pupils. Of the 130 savings banks in the state, 88 extend the service of school savings and nine of these banks have over $1,000,000 on deposit in their school savings departments.

Officers of the Forum elected for the coming year are: *Chairman*, Dorothy T. Condron of the Auburn Savings Bank; *Vice-chairman*, William J. Ahrens of The New York Savings Bank; *Secretary*, Peter J. Wolf of The Lincoln Savings Bank of Brooklyn; and *Treasurer*, Edward Wenzel of the North Side Savings Bank, New York City.

## A.B.A. Files Protest On Extension of Credit Unions

(CONTINUED FROM PAGE 84)

of loans made by Federal credit unions, as proposed in Section 4 of S. 1666, is to make it easier for Federal credit unions, particularly the large ones, to make loans of a size entirely out of character to what was the original intent of Congress. This proposal appears to be a part of a definite program of expansion on the part of these Federal credit unions. We urge that Section 4 be deleted from the bill."

## Bank Praised for School Savings Service by Digest

"This New Orleans Bank Goes to School" was the title of an article by Charles Nutter in May *Reader's Digest*, featuring the school savings function of the Progressive Bank and Trust Co., of New Orleans, Louisiana.

According to the *Digest*, "75,000 out of some 100,000 school children in New Orleans have accounts in the bank." The article tells of President W. J. Fischer's tireless efforts to encourage school children to establish the thrift habit.

"Since school kids make up more than two thirds of the bank's depositors," said the *Digest*, "Fischer tries to give them about two-thirds of his time. He visits every school in the city to keep the savings plan active, and talks to several hundred children each week."

Mr. Nutter reports that the Progressive Bank "installed a separate department for children, with low windows and small tables and chairs. He [Fischer] will drop anything else to discuss a problem with a child. He knows thousands of pint-sized depositors by their first names, and his office door is always open to them."

# News for Mortgage Credit Men

Items and Comment from Our Savings and Mortgage Division and Other Sources

## A.B.A. Mortgage Committee Meets Housing Chief Cole for Brief Exchange of Ideas

Members of the Mortgage Committee of the A.B.A.'s Savings and Mortgage Division met recently with Housing and Home Finance Administrator Albert M. Cole in Washington. While housing and mortgage credit problems were informally discussed, the mutual exchange of ideas was felt to be helpful in hearing at first hand the problems facing Government in the housing field, and to set forth the housing and mortgage problems from the banker's viewpoint.

Plans were also discussed at this meeting for arranging a conference in the near future with Mr. Cole, members of the Committee on Real Estate Mortgages, members of Congress concerned with preparing housing and mortgage credit legislation, and others in Government charged with housing and credit responsibilities.

Those attending the meeting were: John W. Kress, executive vice-president, The Howard Savings Institution, Newark, N. J.; John A. Reilly, president, Second National Bank, Washington, D. C.; Harry Held, vice-president, The Bowery Savings Bank, New York City; J. O. Brott, general counsel of the American Bankers Association; and J. R. Dunkerley and Carroll A. Gunderson, deputy managers of the A.B.A.

### Government Offers 55 Home Care Construction Booklets

*The U. S. Government publishes 55 booklets on construction and home care, all of which are sold by the Superintendent of Documents, Government Printing Office, Washington 25, D. C.*

*These publications are listed in a new Printing Office folder, "Helpful Hints for Homeowners and Builders."*

## FHA Mortgage Insurance Applications Running 20% Ahead of '52, Says Hollyday

An upsurge in mortgage insurance applications being filed with FHA field offices, following the reduced levels during the period of mortgage credit restrictions, was disclosed recently by Commissioner Guy T. O. Hollyday. According to reports from its field offices, the volume of applications for mortgage insurance is running 20 percent above last year for the first four-month period. This gain over last year has been increasing from month to month and in April for new construction alone the increase in volume was 36 percent over April of last year.

While such a large percentage increase over 1952 will probably not be maintained throughout the remainder of 1953, an average increase of the 20 percent for the remainder of the year would result in a total volume of more than 635,000 FHA applications for the year.

## VA Issues New Schedule of Maximum Fees Applicable to Guaranteed or Insured Loans and Builders' Certification

As a corollary action on its recent increase of ½ percent in the permissible interest rate on GI loans, the Veterans Administration has announced that it will sharply restrict "discount practices" in the financing of GI home loans by lenders and builders.

To this end, the Veterans Administration has issued a new schedule of maximum fees and charges applicable to all VA-guaranteed or insured home loans and a new form of Builders' Certification relating to the fee schedules. The new schedule and certification became effective on May 18.

The new form of Builders' Certification will be required to be filed with the VA covering all newly built or proposed units on which a Certificate of Reasonable Value or Master Certificate is issued by VA on or after the effective date of the new schedule.

The new schedule of fees and charges is designed to eradicate all practices which entail payment or absorption by a builder of any charge, fee, discount, or other cost which he might pass along to the veteran. While no particular practice is forbidden in and of itself, the express prohibition against payment of any fee or charge relative thereto, even though the payment may be contingent, is designed to put an end to so-called "repurchase" agreements, "warehousing" by builders, and arrangements of like purpose that have become widespread over the last year or more whereby discounts or their equivalent were passed along to builders or other sellers, including sellers of existing houses.

The new schedule and certification does not undertake to regulate such price differentials or discounts as may obtain in the assignment of GI loans between lenders, or between broker and lender. Free assignability is considered by the VA to be an attractive characteristic of a GI loan. Nevertheless, the new schedule and certification effectually bars the way whereby a builder might sell GI loans at a discount through a lender or broker affiliate and thus absorb a loss or added cost indirectly.

When requesting full details refer to VA file numbers "3006-4B—Loan Guaranty Issue 53-6."

### *Mobile Home Sales Total $73,515,750 for 1st Quarter*

Sales of new mobile homes at retail totaled $73,515,750 in the first quarter of 1953, according to the Trailer Coach Manufacturers Association. The total, a new record, is an increase of 3.9 percent from the $70,732,200 volume in the first 1952 quarter.

A total of 19,095 units was produced in the 1953 quarter, compared with 18,372 in the comparable 1952 period, the association said.

Interviewers in the survey reported the average family purchasing a new mobile home contained 2.9 persons and had an income of nearly $5,000, considerably higher than the national average.

Television sets are owned by about 50 percent of the mobile home buyers, according to the survey. In larger cities about six of 10 purchasers said they have TV sets.

### *New Administration Housing Bill Introduced in Congress*

A new Administration housing bill was introduced in Congress on June 10, by the chairmen of the House and Senate Banking Committees. It contains no provisions for more liberal credit terms on FHA loans. The bid to lower FHA down-payment requirements in the purchase of homes financed by FHA was omitted.

Under the bill, FHA insuring authority is increased $1.5-billion and assists for military housing are continued for another year. Defense housing is continued only for that programmed before June 30 of this year. FNMA would get statutory power to issue purchase certificates to investors on a "one for one" basis, which means that if an investor bought a mortgage from Fanny May it could sell one back to it within one year.

# News for Trustmen

Items and Comment from Our Trust Division and Other Sources

## Estate Market on Up-Trend, But Corporate Trustees Fail to Get Fair Share, Says Mills

Thousands of small businesses—businesses owned by one or several individuals—have a net worth of $100,000 to $4,000,000 or $5,000,000, Thoburn Mills, vice-president and trust officer of The National City Bank of Cleveland, told the Trust Business and Investments Conference of the A.I.B. convention in Cleveland. "Many of the businesses have sprung up and prospered during the past 10 years or less, and it is our job to find out where they are, who the owners are, and then sell our services," he said.

"Likewise, the corporate trust business has shown increased activity over the past few years; and this trend seems to be continuing. Corporations needing new capital for plant improvement and modernization, new machinery and equipment, and increased inventories have been selling new preferred or common stock issues or have been bringing out new bond or debenture issues. This has provided a market for our own services as transfer agent and registrar for the stock issues, and as trustee for the bond and debenture issues.

"Employee's benefit plans, including pension and profit-sharing trusts, thrift and savings plans, still have great appeal to both employers and employees. The market for our services as trustee of such plans is very good. Most companies not having plans are considering them seriously now. The market for profit-sharing plans is particularly good for smaller companies because this type of plan does not require any deposit in years when the company has no earnings. Large companies that have pension plans are considering profit-sharing plans as an additional incentive to their employees.

"Analyses of probate court records in key cities throughout the country disclose that corporate trustees are getting only about 25 percent of the desirable estates.

"The development of new trust business is based on the solid foundation of sound public relations. Public relations is the modern name for the good old-fashioned virtues of diligence, honesty, thoughtfulness, courtesy, skill, efficiency—in short, service. The trust department must render an outstanding service, because that's all it has to sell."

## Gelbach Gives Six Reasons Why Trust Services "Pay"

Six major reasons why a well run trust department, conducted under favorable circumstances and encouraging conditions, is of great importance to a bank, were given by Loring L. Gelbach, president of The Central National Bank of Cleveland, at the Trust Business and Investments Conference of the American Institute of Banking convention in Cleveland last month.

Here are Mr. Gelbach's six reasons:

"(1) A trust department makes of the bank a fully integrated financial institution. This broadens the source of valuable business for the bank as a whole.

"(2) It acts to stabilize and hold important business in all departments of the bank by creating collateral ties of friendship through trust relationships.

"(3) It perpetuates existing business by bridging the gap between changes of ownership in such business from generation to generation.

"(4) It serves to create a large number of small trust balances and then concentrate them into one fund of the trust department. This fund when deposited with the bank adds materially to the total of the bank's deposits.

"(5) It brings to the bank much prestige and goodwill and generates in its customers and the public at large an attitude of unusual confidence.

"(6) It is a source of worthwhile earnings to the bank over the years."

## 80% of Small Employer Pension Plans Provide $1,000 Pre-Retirement Death Benefit Per $10 Retirement Income

Over 120 different methods of determining retirement income are used in the 317 pension plans of smaller employers surveyed by the *Employee Benefit Plan Review*, Chicago publication. All of the plans have less than 100 employees participating. About 36 percent of the plans provide retirement income by taking a percentage of the employee's annual pay and multiplying it by the number of years of service, while 29 percent provide for a flat percentage of pay usually subject to a minimum number of years of service.

In establishing eligibility for participation, 62 percent use a minimum age plus length of service requirement, age 30 and three years of service being the most popular. Under the average plan surveyed, 36 percent of the total number of employees working for the firm are eligible to participate. About 16 percent of the plans have only a "year of service" requirement in order to be eligible, while 12½ percent use different age requirements for males and females, the latter being higher to exclude short-term women workers.

Eighty percent of the plans provide for a pre-retirement death benefit of $1,000 for each $10 of retirement income. About 95 percent of the plans allow for credits either in cash or in paid-up retirement income of some part of the employer's contribution to the plan in event the employee leaves the firm prior to age 65. The most popular method of vesting is to allow a percentage of the employer's contribution for each year or period of service after an initial waiting period, 52 percent of the plans being on that basis.

Employers pay 100 percent of the cost of pensions under 51⅓ percent of the plans surveyed. Under plans to which the employee contributes, the most prevalent cost to the employee was 20 percent to 33⅓ percent of the total.

Most of the plans are funded by individual life insurance policies.

## Farm Management As a Trust Service III

### NOEL T. ROBINSON

*This is a continuation of remarks by the vice-president of the Central National Bank & Trust Co., Des Moines, Iowa. The first instalment appeared in May* BANKING.

Groups of farm managers began forming farm management associations and societies as soon as our agricultural colleges and the United States Department of Agriculture recognized farm management as a distinct field. Dr. W. J. Spillman became head of the office of farm management in the Bureau of Plant Industry, United States Department of Agriculture, in 1904. At about the same time, some of the agricultural colleges offered courses in farm management under the departments of animal husbandry, soils, crops, and others. In June 1910, the Missouri College of Agriculture created the first farm management department in an agricultural college; thus, from 1904 and for the next 10 to 15 years, the farm management idea was taking root and starting its growth.

In 1919, professional farm management had its birth and later the American Society of Farm Managers was organized.

In the management of a farm, the trust department of a bank represents the owner in a fiduciary capacity. The rules and regulations of governmental bodies are very strict and explicit, limiting the management fee. The bank is not permitted to make a commission on the purchase of seeds, fertilizer, building materials, or any other item purchased for the account of the owner. Likewise, in the sale of products from the farm, no commission may be taken from the grain elevators or grain dealers, nor other merchants. Violations of the rules and regulations subject the bank to stiff penalties. This fact works to advantage over a period of years, because the business done for the owner of the farm is done in the community where the farm is located. Local businessmen appreciate this fact as it fosters a good reciprocal business relationship which results in profit to the owner of the farm.

## "Poor Man's Common Trust Fund" Is Under Study by New York Commercial Banks

Feeling that a new type of mutual investment fund is needed for small banks and trust companies handling trust accounts, New York State commercial bankers and the State Banking Department are considering asking for legislative permission to establish a "Poor Man's Common Trust Fund."

For more than a year a Committee on Business Development and Research has been studying the need for such a fund. It found that among the 236 national banks having trust powers, only 22 find it practical to operate common trust funds. A good many of the banks are too small to establish their own common trust funds and, therefore, have been unable to provide adequate trust services, hence the banks are studying the feasibility of creating mutual fund for small banks and trust companies handling fiduciary accounts. It is hoped such a fund would be exempt from Federal income taxes and registration provisions of the Securities and Exchange Commission.

Fund investments initially would be restricted to securities that are legal for trustees in the state; however, later they might be placed on a discretionary basis. The plan calls for a single new fund managed by a large metropolitan bank and would be awarded on the basis of the best bid.

# Prenumbered Tickets for Use When Receiving Securities in Corporate Trust Department Described by Jochum

"It is essential that the work of the corporate trust department be broken down so that no one person handles more than one operation in the daily flow of work," said George P. Jochum, assistant vice-president, United States Trust Co., New York, in an address on "Audit Control of Corporate Trusts" at the eastern regional meeting of the National Association of Bank Auditors and Comptrollers.

"A 'fanfold' or 'snap-out' set of prenumbered tickets may be used to control the movement of securities against receipt or cash," he said. "Three sets of these tickets would be in use; one for receipt of securities, one for delivery of securities, and one for temporary withdrawals.

### Receipt Tickets

"Such a set of tickets on the receipt side would include: (1) A window ticket and two stubs; (2) a mail receipt form and two stubs.

"Over-the-counter receipt would call for the use of the window ticket and receipts by mail would call for the use of the mail receipt form. Upon receipt of the securities a set of these tickets would be prepared and initialed by the authorized receiving clerk, who would indicate thereon the date of receipt, the name of the depositor, and address if a mail item; the amount and description of the security; the cash extension, if any; and any ultimate disposition, such as exchange, redemption, etc. The window ticket or receipt would be delivered to the depositor; the first stub would be attached to the security and the second stub would be delivered to the auditor. I might add that on a big issue you would probably have a separate set of tickets printed, letters of transmittal, etc. This would simplify the work for the particular issue and also simplify its control by the auditor.

"(3) A property posting ticket for the posting of the property ledger, and if necessary, to the abstract.

"(4) A cash posting ticket for the posting of cash. This ticket could have attached to it, for convenience, a check for use in redemptions.

"(5) A vault deposit ticket. This ticket, initialed by an authorized trust department clerk, would accompany the securities to the vault. Upon receipt in the vault the security would be deposited in the proper account, the vault ticket initialed by the authorized vault representative so depositing it and the ticket would then be forwarded to the auditor. The auditor would match his window ticket stub or mail receipt stub to the vault ticket."

A future issue will include Mr. Jochum's remarks on the delivery and temporary withdrawal sets of tickets.

## *Summer Session on Estate Planning in New York City*

Estate planning for maximum family and business security, with minimum tax consequences, will be explored intensively in a five-day meeting starting July 27 at the Hotel Statler in New York City. Use of life insurance, trusts, and powers of appointment will be analyzed, as well as income, estate, and gift tax factors of various plans and arrangements.

The meeting is sponsored by the Practising Law Institute of New York City as part of its 12th annual summer session. Attorneys, trust officers, and insurance men from all parts of the United States are expected to attend.

Joseph Trachtman, author of the Institute's monograph, *Estate Planning*, will open the five-day sessions with suggestions on estate planning methods. Elmer Lee Fingar, chief clerk of the Surrogate's Court, Westchester County, New York, will advise on drafting problems in connection with wills and trusts. Other speakers will include Earl S. MacNeill, vice-president, Irving Trust Co., New York.

Details from Practising Law Institute, 57 William Street, New York 5.

## CALENDAR

### American Bankers Association

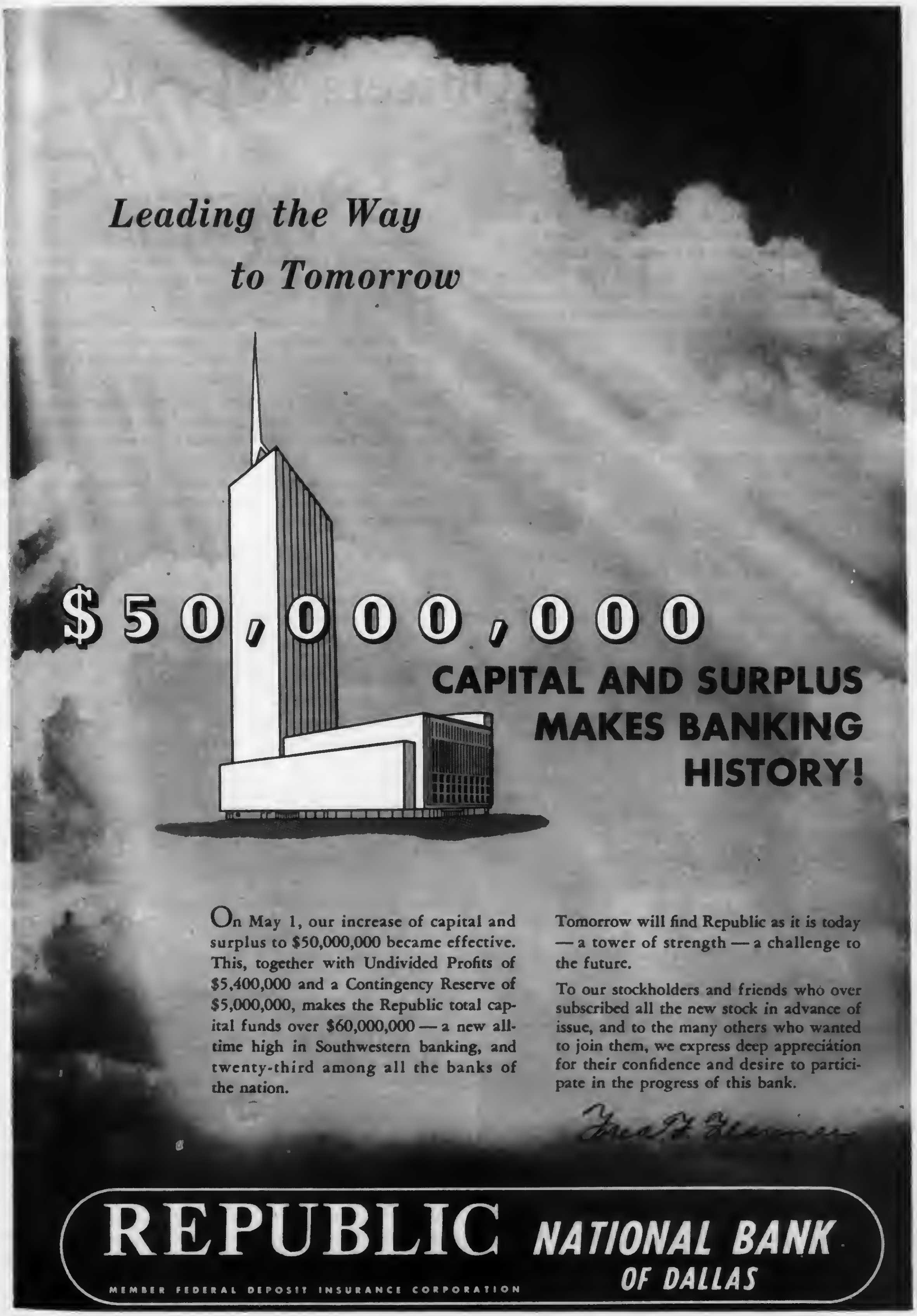
| | | |
|---|---|---|
| Sept. | 20-23 | 79th Annual Convention, Washington, D.C. |
| Oct. | 28-29 | Western Regional Trust Conference, San Diego, Calif. |
| Nov. | 5- 6 | Mid-Continent Trust Conference, Drake Hotel, Chicago |
| Nov. | 16-18 | National Agricultural Credit Conference, Chicago |
| Dec. | 6- 8 | Southern Secretaries Conference, Jung Hotel, New Orleans |
| 1954 | | |
| Feb. | 8-10 | 35th Mid-Winter Trust Conference, Hotel Waldorf-Astoria, N. Y. C. |

### State Associations

| | | |
|---|---|---|
| July | 6- 7 | Central States Conference, Pfister Hotel, Milwaukee |
| Aug. | 8 | Nevada, Las Vegas |
| Aug. 30- | Sept. 1 | Maine Mutual Savings, Poland Spring House, Poland Spring |
| Sept. | 10-12 | Massachusetts Mutual Savings, Mt. Washington Hotel, Bretton Woods, N. H. |
| Oct. | 14-15 | Connecticut Mutual Savings, Mountain View House, Whitefield, N. H. |
| Oct. | 17-23 | New York Mutual Savings, Havana Cruise aboard S.S. *Nieuw Amsterdam* |
| Oct. | 18-20 | Kentucky, Brown Hotel, Louisville |
| Oct. | 18-21 | Iowa, Fort Des Moines Hotel, Des Moines |
| Nov. | 10-11 | Nebraska, Fontenelle Hotel, Omaha |
| Nov. | 12-14 | Arizona, Arizona Biltmore, Phoenix |
| 1954 | | |
| May | 6- 7 | Oklahoma, Skirvin Hotel, Oklahoma City |

### Other Organizations

| | | |
|---|---|---|
| July 27- | Aug. 8 | FPRA School of Financial Public Relations, Northwestern University, Chicago campus |
| Sept. | 21-24 | Association of Bank Women, Annual Convention, Shoreham Hotel, Washington, D. C. |
| Oct. | 11-14 | Robert Morris Associates' Fall Conference, Chalfonte-Haddon Hall, Atlantic City |
| Oct. | 11-15 | Financial Public Relations Association, Annual Convention, Sheraton-Cadillac Hotel, Detroit, Michigan |
| Oct. | 18-21 | Consumer Bankers Association, The Cavalier, Virginia Beach, Va. |
| Oct. | 19-22 | Annual Convention, National Association of Bank Auditors & Comptrollers, Hotel Roosevelt, New York City |
| Nov. | 9-13 | Mortgage Bankers Association Annual Convention, Miami Beach, Florida |
| Nov. | 16-18 | 40th National Foreign Trade Convention, National Foreign Trade Council, Inc., Waldorf-Astoria, New York City |
| 1954 | | |
| Oct. | 18-21 | National Association of Bank Auditors and Comptrollers, 30th Annual Convention, San Francisco |


Leading the Way
to Tomorrow
$50,000,000
CAPITAL AND SURPLUS
MAKES BANKING
HISTORY!
On May 1, our increase of capital and surplus to $50,000,000 became effective. This, together with Undivided Profits of $5,400,000 and a Contingency Reserve of $5,000,000, makes the Republic total capital funds over $60,000,000 — a new all-time high in Southwestern banking, and twenty-third among all the banks of the nation.
Tomorrow will find Republic as it is today — a tower of strength — a challenge to the future.
To our stockholders and friends who over subscribed all the new stock in advance of issue, and to the many others who wanted to join them, we express deep appreciation for their confidence and desire to participate in the progress of this bank.
REPUBLIC
NATIONAL BANK
OF DALLAS
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

# 1,050 Bank Officers at G.S.B.

THE 19th annual summer session of The Graduate School of Banking at Rutgers University June 8 through 20 brought together a student body of 1,050 bank officers from 43 states, the District of Columbia, Puerto Rico, and El Salvador. A faculty of 67 regular members and 28 special lecturers was responsible for their instruction in the four major subjects offered: commercial banking, trusts, investments, and savings management.

The number of students did not constitute a record because a few more men were admitted last year, overtaxing the living and classroom facilities. The Graduate School has operated at capacity for years; and, as in the past, again has a waiting list for admission. The total accepted depends upon the number of rooms available on the University campus.

The Class of 1953 had 329 members; the junior class 350; the freshman class, 371.

### Charge to the Freshmen

Dr. Harold Stonier, executive vice-president of the American Bankers Association and Director of The Graduate School of Banking, made the charge to the new students. Said Dr. Stonier: "You have been accepted by the committee on admissions; you have attended your first classes; you have broken bread with us at our tables. Now, for the first time you stand together as a group. Henceforth you are the Class of '55."

"During your courses here," he continued, "you will gather around the dining tables 115 times. Make the most of these opportunities in the realm of friendship. By virtue of this simple act of dining together, it is possible to become better acquainted with men from all sections of the country. That experience is an education in itself."

The freshman class rises to hear Dr. Stonier's charge

### Ayres Award

The Ayres Leadership Award was this year awarded posthumously. The Award, a tribute to the late Brigadier General Leonard P. Ayres, was established to "be conferred at appropriate times upon a present or former student of the school, who in the judgment of the faculty makes an outstanding contribution to banking and the national welfare, of the type exemplified by General Ayres as student, banker, and citizen."

The award was to have been conferred for the third time at this year's session. The recipient was to have been Richard W. Trefz, president of the Arkansas Valley Bank, Pueblo, Colorado, and a lecturer at the school. Mr. Trefz died in Germany just before the opening of the school. His passing is reported elsewhere in this issue. The ceremony this year was, then, in the nature of a memorial to Mr. Trefz, conducted by Dr. Stonier.

### Distinguished Visitors

A distinguished observer at this year's session was Maurice H. Megrah, secretary of the Institute of Bankers in England, who came from London to visit the Annual Convention of the American Institute of Banking in Cleveland and The Graduate School of Banking at Rutgers University.

The Institute of Bankers in England antedates by 21 years our own American Institute of Banking. The two organizations today have considerably different methods and objectives—for example, the British Institute operates examination centers but does not hold its own classes. The germ of the idea which grew into the formation of the A.I.B. in 1900 came, however, from the successful organization in England.

W. Harold Brenton, president of the American Bankers Association, was the school's guest of honor at luncheon on Thursday of the first week. He addressed the group on the importance of keeping well informed. Mr. Brenton is president of the State Bank of Des Moines, Iowa.

### The Seminars

The two evening seminar lectures were delivered by Dr. T. V. Smith of Syracuse University and by Dr. W. Randolph Burgess, Deputy to the Secretary of the Treasury in charge of Debt Management.

Dr. Burgess in his annual economics lecture said that "a modest beginning has been made in lengthening out the debt."

The Federal budget, he said, "is a tough nut to crack because of the Soviet threat and the huge mass of Government commitments. We shall have an inherited deficit for this fiscal year ending June 30 of over \$7-billion. By cuts already in process, we now estimate the 1953-54 deficit at \$5.5-billion; and hope to balance in 1954-55 by further cuts in spending.

(CONTINUED ON PAGE 92)

(Continued from page 90)

"Bank borrowing in terms of interest cost to the Treasury may be cheap," he said, "but it is exceedingly expensive for the country as a whole, as all Americans who have been hurt by inflationary prices should know. The sale of long-term bonds to investors carries a somewhat higher interest rate than the sale of short-term securities to banks. But this cost will be offset many times over if it lessens the risk of inflation, or of deflation. It should be noted that the largest interest payments will be going to insurance companies, savings banks, pension funds, and individuals and will in this way benefit millions of families who have been damaged by inflation."

## Commencement

The Commencement Exercises on Friday, June 19, featured Dr. William A. Irwin, associate director of the Graduate School. The Class of 1953 numbers 329. The class roster follows:

### ALABAMA

Blackshear, Samuel Cranford, The First National Bank, Gadsden
Hardesty, George N., Merchants National Bank, Mobile

### ARKANSAS

Moye, Jr., John M., Helena National Bank, Helena

### CALIFORNIA

Bostock, Harold D., American Trust Company, Santa Rosa
Johnson, Alden W., First National Trust & Savings Bank, Midway Drive-in Branch, San Diego
Peek, Arnold B., Security-First National Bank, Los Angeles
Young, Frank E., Bank of America, N.T. & S.A., San Francisco

### COLORADO

Graves, Arch W., Federal Reserve Bank, Denver
Kountze, Jr., Harold, Colorado National Bank, Denver

### CONNECTICUT

Buths, Joseph Clement, State Savings Bank, Hartford
Clark, E. Stewart, Colonial Trust Company, Woodbury
Cummings, Raymond E., Thomaston Savings Bank, Watertown
English, John E., First National Bank & Trust Co., New Haven
Frey, George V., Wallingford Bank & Trust Company, Wallingford
Hagedorn, Frederick C., The Hartford Connecticut Trust Co., Hartford
Heebner, Carl F., Citizens & Manufacturers National Bank, Waterbury
Holdridge, Carl Holmes, The Chelsea Savings Bank, Norwich
Miller, Charles L., Phoenix State Bank & Trust Co., Hartford
Monroe, Sidney M., First National Bank and Trust Co., New Haven
Park, Kenneth M., South Norwalk Trust Company, South Norwalk
Peterson, C. Ernest, New Milford Savings Bank, New Milford
Phillips, Donald W., Byram National Bank, East Port Chester
Porter, Leighton Blair, State Banking Department, Hartford
Potetz, Frank J., The New Britain Trust Co., New Britain
Sperry, Ralph B., The Bridgeport-City Trust Company, Bridgeport
Tucker, Justin R., Society for Savings, Hartford
Warner, Frank E., The First National Bank & Trust Co., Ridgefield
Welch, Herbert E., Hartford National Bank & Trust Co., Hartford

### DELAWARE

Bringhurst, Joseph, Artisans' Savings Bank, Wilmington
Heite, Jr., Samuel F., Farmers Bank of the State of Delaware, Dover
Tyndall, Sr., Marshall C., Equitable Security Trust Company, Wilmington

### DISTRICT OF COLUMBIA

Bolton, J. Russell, National Savings and Trust Company, Washington
Brown, Richard Wilson, The Riggs National Bank, Washington
Fry, Walter Raymond, The Lincoln National Bank, Washington
Pilkinton, Richard B., The Riggs National Bank, Farmers & Mechanics Branch, Washington
Watkins, Richard James, Hamilton National Bank, Washington
Whyte, Joseph L., American Security & Trust Company, Washington
Wild, Jack H., The Washington Loan and Trust Co., Washington

### FLORIDA

Ansley, Joseph A., The Lee County Bank, Fort Myers
Davis, Jr., Theodore A., Pan American Bank of Miami, Miami
Desilets, Lucien, Lewis State Bank, Tallahassee
Greenwood, Don R., Broward National Bank, Ft. Lauderdale

### GEORGIA

Bulloch, William B., Commercial Bank, Thomasville
Dickson, Jr., James Hill, The Bank of Georgia, Atlanta
Hill, Fred Stewart, Trust Company of Georgia, Atlanta
Lewis, Gardelle, Georgia Railroad Bank & Trust Co., Augusta
McGinty, A. Stewart, Trust Company of Georgia, Atlanta

### ILLINOIS

Benner, Donald V., Mercantile National Bank, Chicago
Brink, Jack Russell, First National Bank, Amboy
Griffin, Marion Lyle, Du Quoin State Bank, Du Quoin
Handrich, William H., First National Bank, Belleville
Horneck, Edgar O., Federal Deposit Insurance Corp., Chicago
Layman, N. Hall, The Northern Trust Company, Chicago
O'Rourke, Frank J., American National Bank & Trust Co., Chicago
Shircliffe, Harold A., Chicago Title & Trust Company, Chicago

### INDIANA

Baldwin, Lewis L., Mercantile National Bank of Hammond, Hammond
Deaton, Angus E., Fayette Bank and Trust Co., Connersville

### KANSAS

Schwartz, Lawrence M., Citizens State Bank, Paola

### KENTUCKY

Dorton, Oscar T., Second National Bank, Paintsville
Witten, Wilbur A., The Third National Bank of Ashland, Ashland

### LOUISIANA

Poitevent, Jr., Eads, National Bank of Commerce, New Orleans

### MAINE

Coombs, John Warren, Bath Trust Company, Bath
Robbins, Stanley W., First National Bank, Lewiston
Ruhlin, James Robert, Eastern Trust and Banking Company, Bangor
Stetson, Richard Milton, Franklin County Savings Bank, Farmington
Stewart, Jr., Horace S., Merchants National Bank of Bangor, Bangor
Walker, Winthrop B., The Canal National Bank, Portland

### MARYLAND

Staken, Joseph Francis, Second National Bank of Cumberland, Cumberland
Webb, G. Stewart, Union Trust Company of Maryland, Baltimore

### MASSACHUSETTS

Benninк, Richard Ellis, Boston Safe Deposit and Trust Co., Boston
Bishop, Leon S., The New England Trust Company, Boston
Bradlee, H. Gardner, Cambridge Trust Company, Cambridge
Clemence, Robert W., The Merchants National Bank, Leominster
Coleman, William P., Federal Deposit Insurance Corporation, Boston
Dunn, Lewis Judson, Comptroller of the Currency Office, Boston
Estes, Kendall Saunders, Plymouth Five Cents Savings Bank, Plymouth
Fasser, Howard Emerson, Easthampton Savings Bank, Easthampton
Friberg, Carl A., Cambridge Trust Company, Cambridge
Godsoe, Frederick P., Second National Bank of Boston, Boston
Hamel, Philip Bryant, Federal Reserve Bank, Boston
Harris, Frank H., Commissioner of Banks, Boston
Heinz, Theodore J., Union Trust Company of Springfield, Springfield
Hutchinson, Leslie N., National Shawmut Bank, Boston
Kittredge, Jr., Charles James, The First National Bank of Boston, Boston

(Continued on page 94)

## BANK OFFICERS AT 1953 SESSION

| *Title* | *1953* | *1954* | *1955* | *Total* |
|---|---|---|---|---|
| President | 5 | 2 | 1 | 8 |
| Vice-president | 32 | 28 | 26 | 86 |
| Assistant Vice-president | 64 | 42 | 32 | 138 |
| Cashier | 11 | 11 | 14 | 36 |
| Assistant Cashier | 54 | 69 | 65 | 188 |
| Trust Officer | 17 | 16 | 7 | 40 |
| Assistant Trust Officer | 12 | 27 | 29 | 68 |
| Secretary | 7 | 9 | 4 | 20 |
| Assistant Secretary | 23 | 22 | 19 | 64 |
| Treasurer | 1 | 2 | 3 | 6 |
| Assistant Treasurer | 32 | 29 | 33 | 94 |
| Auditor | 11 | 10 | 9 | 30 |
| Assistant Auditor | 3 | 2 | 2 | 7 |
| Comptroller | 1 | 4 | 5 | 10 |
| Assistant Comptroller | 5 | 2 | 1 | 8 |
| Branch Manager | 3 | 5 | 7 | 15 |
| Assistant Branch Manager | 4 | 5 | 12 | 21 |
| Department Head | 8 | 13 | 28 | 49 |
| Assistant Department Head | 2 | 6 | 11 | 19 |
| Examiner | 14 | 20 | 21 | 55 |
| Assistant Examiner | 3 | 2 | 3 | 8 |
| Miscellaneous | 17 | 24 | 39 | 80 |
| *Totals* | *329* | *350* | *371* | *1,050* |

# Effective use of personnel talents is a continuing study at the Continental Illinois Bank

## Our findings are available to correspondent banks to help you make the most of manpower

EFFECTIVE TESTS FOR LETTERS | INCREASED JOB EFFICIENCY | IMPROVED PERSON-TO-PERSON TECHNIQUES | ACCURATE DEFINITION OF DUTIES FOR EACH POSITION | PROPER USE OF TELEPHONE

These and other subjects are covered by Continental Illinois education and training films and graphic material. We shall be glad to share our education and training tools with you and help you fit them to your needs.
Your inquiries are invited.

## Continental Illinois National Bank
### and Trust Company of Chicago

La Salle, Jackson, Clark and Quincy Streets
LOCK BOX H, CHICAGO 90, ILLINOIS
*Member Federal Deposit Insurance Corporation*

(CONTINUED FROM PAGE 92)

MCINTIRE, RAYMOND ANDREW, The Old Colony Trust Company, Boston
MORRISSEY, RICHARD C., Norfolk County Trust Company, Brookline
OBER, FREDERICK C., Fitchburg Savings Bank, Fitchburg
PERKINS, R. FORBES, Second National Bank, Boston
PRATT, HOWARD HAPGOOD, Hudson National Bank, Hudson
PRESTON, STANLEY N., The Danvers National Bank, Danvers
PUTNAM, CHARLES FREEMAN, Old Colony Trust Company, Boston
SAUNDERS, JOHN A., Springfield Five Cents Savings Bank, Springfield
TELFORD, SR., RAYMOND J., Broadway Savings Bank, Florence
TUFTS, EDWARD R., Massachusetts Bankers Association, Boston
WATSON, JR., DONALD C., The First National Bank of Boston, Boston
WHITE, FRED A., Comptroller of the Currency Office, Boston
WINCHESTER, JAMES P., Norfolk County Trust Company, Brookline

## MICHIGAN

CARPENTER, JAMES WILLIAM, Union Bank of Michigan, Grand Rapids
HILTON, JR., HOMER, National Bank of Jackson, Jackson
HOWLAND, ROBERT M., The Romeo Savings Bank, Romeo
PRATT, ROBERT E., Citizens Commercial & Savings Bank, Flint
WIESE, FRED C., Michigan National Bank, Saginaw

## MINNESOTA

FOSSUM, KYLE K., Federal Reserve Bank of Minneapolis, Minneapolis
KNUDSEN, MORRIS S., First & American National Bank of Duluth, Duluth
PATCH, EARL A., Third Northwestern National Bank, Minneapolis
THEURER, WILLIAM P., The Winona National & Savings Bank, Winona
TUSTISON, WILLIAM M., First National Bank, St. Peter
WEST, ROGER BROWNLEE, Federal Deposit Insurance Corp., St. Paul

## MISSOURI

BEALKE, CHARLES F., Mercantile Trust Company, St. Louis
CRAIG, JAMES C., Federal Reserve Bank, Kansas City
JENKINS, JR., HENRY E., Mercantile Trust Company, St. Louis
KROMNACKER, RAYMOND R., Manufacturers Bank & Trust Co., St. Louis
LIMBACK, WALTER W., American National Bank, St. Joseph
MOSER, WALTER, First National Bank, St. Louis
RISLEY, CHARLES WILLIAM, Excelsior Trust Company, Excelsior Springs
SANGUINET, MERLE M., St. Louis County National Bank, Clayton
SPARKMAN, ETSYL J., The Citizens Bank, Springfield

## NEW HAMPSHIRE

HAZEN, KENNETH W., Cheshire County Savings Bank, Keene
KING, RALPH MORTON, First National Bank of Concord, Concord
STIMSON, HASCALL THORPE, The Suncook Bank, Suncook

## NEW JERSEY

BREEMAN, HOWARD J., First National Bank & Trust Co., Paterson
BUCHANAN, WILLIAM O., Flemington National Bank and Trust Company, Flemington
DRUMM, WALTER C., Boardwalk National Bank, Atlantic City
FERGUSON, JR., ROBERT R., Federal Trust Company, Newark
HIRES, LEMUEL H., The National Bank of Ocean City, Ocean City
HOFFMANN, WILLIAM L., Fidelity Union Trust Company, Newark
KRESS, JOHN J., Commonwealth Trust Company, Union City
LANDRIGAN, JOHN HENRY, Hudson Trust Company, Union City
LILBURN, GEORGE M., Hillsdale National Bank, Hillsdale
MARSH, GORDON B., Bound Brook Trust Company, Bound Brook
MILLER, JR., SAMUEL J., Union County Trust Company, Elizabeth
MOLEMA, STEFFEN B., First National Bank & Trust Co., Paterson
MORSCH, AUGUST L., The Howard Savings Institution, Newark
PAUL, STANLEY KENNETH, The Hackensack Trust Company, Hackensack
PREVOST, JR., STERETT R., Fidelity Union Trust Co., East Orange
PROSS, JOHN WILLIAM, First National Bank & Trust Co., Paterson

**Students examine BANKING'S Forum in Print exhibit of bank advertising as part of study of public relations. They judged the ad campaigns and their findings appear on page 44 of this issue**

## CLASS OFFICERS

**The Class of 1953 elected as its permanent officers:**

***President*, Gene Bridges, vice-president, Republic National Bank in Dallas, Texas.**

***Secretary*, Charles E. Baus, assistant vice-president, Girard Trust Corn Exchange Bank, Philadelphia.**

STOKES, CLEMENT, The Boardwalk National Bank, Atlantic City
SVENSON, RUDOLF, The First National Bank & Trust Co., Montclair
THELIN, SETH HORSTMANN, National Newark & Essex Banking Co., Newark

## NEW MEXICO

FERRIMAN, GEORGE H., First National Bank, Artesia

## NEW YORK

ANDERSON, C. THEODORE, Bank of Jamestown, Jamestown
BARBEOSCH, PETER J., The East New York Savings Bank, Brooklyn
BARRY, JAMES A., Bank of the Manhattan Company, New York
BOYD, JAMES O., The Manufacturers National Bank of Troy, Peoples Branch, Troy
BRIGGS, II, CHARLES A., The County Trust Company, White Plains
BURNS, VINCENT L., Dollar Savings Bank, New York
BYMAN, WILLIAM J., Guaranty Trust Company, New York
CASAZZA, ALBERT J., Greater New York Savings Bank, Brooklyn
CASE, RENWICK E., Discount Corp. of New York, New York
CLARK, RAYMOND J., Public National Bank & Trust Co., New York
CREAMER, GERARD J., Manufacturers Trust Company, New York
DARCH, JOHN F., The East New York Savings Bank, Brooklyn
DOULOS, DENNIS J., Queens County Savings Bank, Flushing
DURKIN, WILLIAM M., First National Bank of Chicago, New York
EMMERICH, JOSEPH FRANCIS, Chemical Bank and Trust Company, New York
ERHARDT, ALFRED E., The East New York Savings Bank, Brooklyn
FARRELL, FRANK A., Federal Deposit Insurance Corporation, New York
FLEMING, JR., JAMES J., The Bank of New York, New York
GALLAGHER, PAUL W., Merchants National Bank and Trust Co., Syracuse
GAMACHE, DAVID J., Central Savings Bank, New York
GAYLORD, ROBERT T., Dry Dock Savings Bank, New York
GEIB, ROBERT A., Corn Exchange Bank Trust Company, New York
GLANZ, ROBERT D., New Paltz Savings Bank, New Paltz
GRANT, TAYLOR G., The National Bank & Trust Company, Norwich
GRAY, AUSTEN T., New York Trust Co., New York
GUILFOY, JR., WILLIAM H., Manhattan Savings Bank, New York
GUNKLER, G. THEODORE, Lincoln Rochester Trust Company, Lake Ave. Office, Rochester
HESLIN, THOMAS W., Manufacturers Trust Company, New York
HILL, SERGE J., National City Bank, New York
HOGAN, JOHN JAMES, Onondaga County Savings Bank, Syracuse
HUGHES, G. JAMES, Chase National Bank, New York
JENKINS, LLEWELLYN, Hanover Bank, New York
JENSEN, JOHN P., Federal Reserve Bank of New York, New York
JONES, HAROLD F., Lincoln National Bank & Trust Co., Syracuse
KEITH, JR., ROBERT, Schenectady Savings Bank, Schenectady
LATHROPE, WILLIAM C., Central Savings Bank, New York
MACLELLAN, CHARLES F., Manufacturers Trust Company, New York
MACNAUGHTON, JOHN A., First National Bank & Trust Co. of Pearl River, Pearl River
MARINO, VITO J., Long Island City Savings Bank, Jackson Heights
MAURER, WILLARD L., Central Trust Company, Rochester
MCCLURE, THEODORE M., The Citizens National Bank, Wellsville
MCWILLIAMS, FRANKLIN ANDERSON, Corn Exchange Bank Trust Company, New York
MOFFETT, ARTHUR D., Marine Trust Co. of Western N. Y., Buffalo
MOORE, HAROLD J., First Bank & Trust Company, Utica
MURPHY, JOHN F., Manufacturers Trust Co., New York
NAGLE, JACK W., C. J. Devine & Co., New York
NAVARRO, CLAUDE BABCOCK, Federal Deposit Insurance Corp., New York
NEVINGER, DONALD R., The Farmers National Bank and Trust Company of Rome, Rome
NOA, ARTHUR H., Federal Reserve Bank of New York, New York
O'BRYON, WILLIAM R., The National Commercial Bank & Trust Company, Albany
OGDEN, III, WILLIAM B., Merchants National Bank & Trust Co., Syracuse
PARTRIDGE, GORDON SHALER, Adirondack National Bank and Trust Company, Saranac Lake
PECK, ROBERT C., Queens County Savings Bank, Flushing
PETERSON, FREDERICK W., South Brooklyn Savings Bank, Brooklyn
PHILLIPS, H. WENDELL, Bowery Savings Bank, New York
ROBINSON, FENTON L., Community Savings Bank, Rochester
ROOME, JOHN STANTON, The Hanover Bank, New York
ROPER, FLOYD WALTON, The City National Bank, Binghamton
SCHEFMEYER, HERBERT, The Bowery Savings Bank, New York
SCHOFIELD, WILLIAM H., Chemical Bank and Trust Company, New York
SCHWARZ, THEODORE R., Clinton Trust Company, New York
SCINSKI, EDWARD J., Dry Dock Savings Bank, New York
SMITH, JAMES G., Franklin National Bank, Franklin Square, New York
STEWART, JOHN, Manufacturers & Traders Trust Co., Buffalo
TISCH, EDWARD D., Public National Bank & Trust Company, New York
TRAPP, JOSEPH T., Liberty Bank of Buffalo, Buffalo
TUTTLE, JR., RICHARD B., The Bank of New York, New York

(CONTINUED ON PAGE 96)

# *Sometimes it's pretty puzzling*

How can a small or medium-sized bank fit together all these elements in an economical pension plan?

- A plan flexible enough to cover personnel of all ages and classes—key officials as well as clerical help.
- A plan which offers the advantages and economies usually available only in large corporate plans.
- A plan which can be installed and operated with a minimum of time and bookkeeping by bank personnel.

Some years ago, David Gilmore, Mellon Bank Vice President, whose division administers pension trust plans for many of the country's leading corporations, became interested in this problem, particularly as it related to smaller banks.

After considerable study, he and his associates came up with a practical answer to the problem — the "Mellon Multiple Pension Plan for Banks." Under this plan, a bank with as few as six employees can obtain retirement benefits and economies comparable to those available to the largest institutions.

Since this Multiple Pension Plan was first introduced to our correspondent banks a few years ago, interest and participation in it have been steadily growing. Those participating like its flexibility, its economy compared with other types of plans, and the fact that it does not require retirement of key executives at a fixed age.

What is Mellon Bank's stake in this? Our philosophy is that whatever helps banking helps Mellon—and that this Multiple Pension Plan fills an important need for many of our banking friends. It is one more evidence of our belief that Correspondent Bank relationships can and should go far beyond the rendering of merely routine services.

★ ★ ★

*If you would like more details on this plan, write for a copy of our booklet, "Multiple Pension Plan for Banks".*

MELLON
NATIONAL BANK
AND TRUST COMPANY
PITTSBURGH

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

**CAPITAL $60,100,000** **SURPLUS $150,000,000**

(Continued from page 94)

Ungemack, John Purdy, The County Trust Company, White Plains
Vickers, John Marter, East River Savings Bank, New York
Wassmer, Robert L., Greater New York Savings Bank, Brooklyn
Whelan, Thomas Clifford, Bank of America, N.T. & S.A., New York
Williams, John P., Brooklyn Savings Bank, Brooklyn
Winslow, John Grenville, City Bank Farmers Trust Company, New York
Witherstine, Christopher C., Jamaica Savings Bank, Jamaica
Zaun, Adam J., Franklin Savings Bank, New York
Ziegeler, Andrew, Merchants Bank of New York, New York

## NORTH CAROLINA

Allen, Jr., Mitchell Ferris, First National Bank, Jacksonville
Arthur, Frederick A., Guaranty Bank & Trust Company, Washington
Brice, James McCollough, Commercial National Bank, Charlotte
Greene, Graham M., First National Bank, Shelby
Hope, Jr., Clarence Caldwell, Union National Bank, Charlotte
Robinson, Joseph Hull, Wachovia Bank & Trust Company, Charlotte
Smith, Jr., Wilburn J., Union National Bank, Charlotte
Townsend, Braxton Bryan, Peoples Bank & Trust Company, Rocky Mount
Watkins, Meredith McCully, Citizens Bank and Trust Company, Henderson

## OHIO

Baines, James E., City National Bank & Trust Co., Columbus
Brownsword, Raymond Arthur, The Dime Savings Bank Company, Akron
Eisele, Jr., Edward A., Cleveland Trust Company, Cleveland
Gallivan, Tim J., First National Bank, Cincinnati
Hanna, Samuel A., The Second National Bank of Warren, Warren
Harris, Thomas William, Central National Bank, Cleveland
Johnston, Jr., Richard R., Commerce National Bank, Toledo
Kappanadze, Nicholas J., Federal Reserve Bank of Cleveland, Cleveland
Lonnemann, Lawrence V., First National Bank, Cincinnati
Mann, James Arthur, The Toledo Trust Company, Toledo
Mayer, Wilbur F., First National Bank and Trust Co., Hamilton
McGinnis, William A., Central National Bank, Oul Office, Cleveland
O'Brien, Thomas F., Federal Deposit Insurance Corporation, Columbus
Ruegg, Henry C., The Ohio National Bank of Columbus, Columbus
Vieracker, Robert N., Central National Bank, Cleveland
Wagner, Ernest M., Cleveland Trust Company, Cleveland
Will, Robert Buskirk, The Vinton County National Bank, McArthur

## OREGON

Clark, Lawrence L., The First National Bank, Portland
Ruzek, Jerome F., Federal Deposit Insurance Corp., Portland

## PENNSYLVANIA

Abel, William E., Barclay Westmoreland Trust Co., Greensburg
Baus, Charles E., Girard Trust Corn Exchange Bank, Philadelphia.
Bayer, Ernest H., The Pennsylvania Company for Banking & Trusts, Philadelphia
Bean, Merrill A., Montgomery Trust Company, Norristown
Bellhorn, Jr., William H., Union Bank and Trust Company of Bethlehem, Bethlehem
Blair, Harry C. J., The Beneficial Saving Fund Society, Philadelphia
Boyle, Raymond J., Wilkes-Barre Deposit & Savings Bank, Wilkes-Barre
Buffington, Howard, Hatfield National Bank & Trust Company, Hatfield
Clemmer, Joel G., The Real Estate Trust Company of Philadelphia, Philadelphia
Cloak, John J., Broad Street Trust Co., Philadelphia
Collins, Paul N., Philadelphia Saving Fund Society, Philadelphia
Delafield, William F., The Pennsylvania Company for Banking and Trusts, Philadelphia
Dill, W. Arthur, Provident Trust Company of Philadelphia, Philadelphia
Dyer, Samuel K., Gimbel Brothers Bank & Trust Co., Philadelphia
Fleming, Joseph P., Beneficial Saving Fund Society, Philadelphia
Fowler, Ferdinand S., The First National Bank of Wilkes-Barre, Wilkes-Barre
Frank, William A., Oil City Trust Company, Oil City
Gallagher, John J., Beneficial Saving Fund Society, Philadelphia
Gilmore, Donald G., Blairsville National Bank, Blairsville
Harris, John Wilson, Central-Penn National Bank of Philadelphia, Philadelphia
Hodgson, Norman A., Crawford County Trust Company, Meadville
Houpt, Charles E., Federal Reserve Bank, Pittsburgh
Jones, Curtis E., Mellon National Bank & Trust Co., Pittsburgh
Jones, Nelson W., National Bank of Germantown and Trust Company, Philadelphia
Koch, Lewis Martin, The Pennsylvania National Bank and Trust Company, Pottsville
Mangan, Gerald Thomas, Miners National Bank of Wilkes-Barre, Wilkes-Barre
McDowell, J. Norman, Federal Reserve Bank, Philadelphia
McGarrigan, Edward L., Girard Trust Corn Exchange Bank, Philadelphia
Mitcham, Merle Benton, Oil City National Bank, Oil City
Mone, Thomas P., Beneficial Saving Fund Society, Philadelphia
Newsome, Samuel H., The Delaware County National Bank, Chester
Nunemaker, James P., Producers Bank & Trust Company, Bradford
Nungesser, J. Lewis, Philadelphia National Bank, Philadelphia
Price, Benjamin F., The Philadelphia Saving Fund Society, Philadelphia
Pritchard, Thomas, Plymouth National Bank, Plymouth
Ritter, Herbert W., Corn Exchange National Bank & Trust Co., Philadelphia
Scovell, Frear H., First National Bank, Wilkes-Barre
Smith, Frank Singiser, The First National Bank, Altoona
Stewart, Charles Reese, Provident Trust Company of Philadelphia, Philadelphia

**Typical campus scene as students change classes. The dining hall is at right**

Wagner, Allen J., Mt. Penn Trust Company, Mt. Penn
Warren, Jr., Chester Ingersoll, The Philadelphia National Bank, Philadelphia
Weiss, Charles Ludwig, Fidelity-Philadelphia Trust Co., Philadelphia
Wilson, Jr., Walter J., The Colonial Trust Company, Pittsburgh
Worrall, Richard T., National Bank & Trust Company, Kennett Square
Zeiler, Russell K., The Union National Bank of Pittsburgh, Pittsburgh
Zollers, Ernest Markley, The Peoples National Bank of Norristown, Norristown

## RHODE ISLAND

Henthorne, Granville V., Rhode Island Hospital Trust Co., Providence
Levine, George E., Providence Institution for Savings, Providence
Strom, Frank Anders, Citizens Trust Company, Providence
Tingley, Jr., Henry Francis, Industrial Trust Company, Providence

## SOUTH CAROLINA

Hart, Francis M., Carolina National Bank, Anderson

## SOUTH DAKOTA

Westra, Tony L., Northwest Security National Bank of Sioux Falls, Sioux Falls

## TENNESSEE

Orndorff, Jr., Charles H., National Bank of Commerce, Memphis
Thompson, Jr., Overton, Nashville Trust Company, Nashville

## TEXAS

Bridges, Gene, Republic National Bank, Dallas
Coles, Jr., G. Warren, National Bank of Commerce, Houston
Geis, John F., First National Bank, Fort Worth
Jones, Harold Randle, South Texas National Bank, Houston
Jordan, Fred Elmer, Federal Deposit Insurance Corp., Dallas
Lea, James Douglass, First National Bank, Houston

## VERMONT

Andrew, William C., Northfield Savings Bank, Northfield
Clayton, Kenneth Randall, County National Bank, Bennington

## VIRGINIA

Beavers, Clifford Beverly, Federal Reserve Bank, Richmond
Bennett, Edward Ladd, Federal Reserve Bank, Richmond
Blackburn, John C., Shenandoah Valley National Bank, Winchester
Blackwell, John Davenport, First & Merchants National Bank, Richmond
Browning, Jr., Robert August, State-Planters Bank & Trust Co., Richmond
Corn, Ralph W., The First & Merchants National Bank, Radford
Cutchins, III, Clifford A., Vaughan & Company, Franklin
Earp, Thomas Spencer, South Boston Bank & Trust Company, South Boston
Gornto, William G., National Bank of Commerce, Norfolk
Herrenkohl, Roy C., Colonial-American National Bank, Roanoke
Hyde, Frank Taylor, The Bank of Virginia, Richmond
Jefferson, Jr., William Hundley, American National Bank & Trust Co., Danville
Moore, R. Cosby, National Bank of Commerce, Norfolk
Robinson, A. Frank, State-Planters Bank & Trust Co., Richmond
Sebrell, III, Thomas Edward, Clarendon Trust Company, Arlington
Sheffield, Edward Royal, Bank of Crewe, Crewe
Thelen, Alexander J. V., Citizens Bank & Trust Company, Charlottesville
Via, Murray Green, The First National Exchange Bank, Roanoke
Weeks, John T., Federal Deposit Insurance Corporation, Richmond
Woolwine, Lewis Glenn, Farmers Exchange Bank, Abingdon

## WEST VIRGINIA

Taylor, Donald Lawrence, Parkersburg National Bank, Parkersburg

## WISCONSIN

Kundert, Harold E., Federal Deposit Insurance Corp., Wausau
Wolf, Jerome Douglas, First Fond du Lac National Bank, Fond du Lac

## 22 Million Cars Will Carry 66 Million Tourists This Year!

WASHINGTON—A study just released states that there has never been anything to equal the vacation tide of United States motorists. During the year, it is predicted, 66,000,000 people will get into 22,000,000 cars and set out to see the sights.

Each car will, on the average, travel 1,200 miles in eleven days.

# AN ENORMOUS MARKET FOR BANKS WHO SELL

# NCB TRAVELERS CHECKS

News reports predict that 66 million travelers will use 22 million cars this year on journeys averaging 1200 miles. They will spend $9,240,000,000, or $140.00 for each passenger!

This is a most important market for National City Bank Travelers Checks. All travelers, particularly motorists, will want to avoid the risks of theft or loss—yet be assured of the instant spendability of their funds. Remember—all National City Bank Travelers Check advertising recommends readers to make their purchases in *banks*.

Helpful display material, free mats available to assist you to develop this important revenue.

*You keep ALL the selling commission—¾ of 1 %*

# THE NATIONAL CITY BANK OF NEW YORK

*First in World-Wide Banking*

55 Wall Street, New York 15, N. Y.

Member Federal Deposit Insurance Corporation

**A.B.A. President W. Harold Brenton addressing the A.I.B.'s opening session. Seated behind him and at the tables are convention guests, past presidents of the Institute, national committee chairmen, and national office staff**

# The A.I.B.'s 51st

Dear BANKING:

Your correspondent offers a rising vote of thanks for that American Institute of Banking 51st convention assignment in Cleveland. If he creaks slightly as he rises, it's because the trailing of 1,500 A.I.B.ers through five days of meetings, one picnic, one ball game, and one tornado was a job better suited, perhaps, to a more agile and more athletic member of the working press.

But there were ample compensations for any drain on a journalist's physical resources. The convention was a humdinger. From June 8 through the 12th it talked, listened, debated, discussed, voted, reported, visited, played. And it tucked into the archives half a dozen records of accomplishment in carrying out the educational program that has made the Institute so indispensable an asset to American banking.

Before producing further copy, your correspondent would like to make one or two observations. A.I.B.'s return to the city that was host to its first national convention 50 years ago was marked by momentous events. Most of them were planned by Jim Pritchard and the 263 committee folks who had toiled for months on the endless preliminaries. One happening was quite spontaneous and extracurricular: Jim's boys and girls hadn't figured

**Miss Barbara Pendleton, Kansas City, Mo., holds the cup she won for first place in the National Public Speaking Contest for the A.P. Giannini Educational Endowment Prizes. *Right*, third place winner, Ronald F. Goodspeed, Milwaukee. Others pictured are A. L. Grigsby, chairman, Public Speaking Committee, and Mrs. Claire Giannini Hoffman, daughter of the late Mr. Giannini. Richard C. McClintic, Portland, Ore., second place winner, had left Cleveland when this photo was taken at Mrs. Hoffman's dinner for the contestants**

**The convention gave a rousing welcome to five men who were delegates to the Institute's first national convention in Cleveland in 1903. Here they are, seated on the platform at the first general session: *L. to r.*, George K. Wadsworth of Cleveland who represented Chicago Chapter 50 years ago; A. V. Gardner and Harry C. Libby of St. Paul, formerly of Minneapolis; W. F. Mackay and John C. McHannan of Cleveland. All are now retired from banking except Mr. McHannan who is chairman of Cleveland's Central National Bank**

PHOTOS BY M. B. LEACH AND REBMAN

The new president, Stetson B. Harman; outgoing president, Martin J. Travers; and the new vice-president, Alvin E. Roemershauser

New Executive Councilmen: Gerard Hayes, Boston; Samuel M. McGinnis, Milwaukee; E. Maurice Faubion, Houston; George Clark, Los Angeles

on the tornado that smote Cleveland the evening of June 8. Fortunately, when the storm struck, the delegates were in the hotel ballroom listening to five men and a woman speak for the Giannini prizes (the girl won), so no one was damaged or seriously inconvenienced.

Personally, this reporter prefers to remember a pleasanter experience: eating dinner at the Municipal Stadium before the ball game that climaxed the traditional mid-convention outing. Now, your correspondent has consumed his victuals in many unorthodox environments, but never before in center field. As an ex-first baseman (utility) of the old Academy Street Giants, he would have felt more at home at a table in the infield, but on this occasion that location was fully occupied by the Cleveland Indians and Washington Nationals as they warmed up for their evening chores. All in all, the baseball picnic (everybody had a reserved seat in the stands for the game) was a stroke of genius by the Cleveland planners; it provided for many of the delegates baseballs and scorecards autographed by Mr. Robert Feller, et. al., and for all delegates a neat demonstration of higher education in athletics.

YES, sir, the convention was a humdinger. It saluted five old-timers who had attended Convention No. 1. It greeted the president of the American Bankers Association, W. Harold Brenton; the Comptroller of the Currency, Ray M. Gidney, a Clevelander; Maurice H. Megrah, secretary of the Institute of Bankers in England, which preceded the

## A. I. B. CLEVELAND CONVENTION LOG

### Elections

*President:* STETSON B. HARMAN, trust officer and assistant secretary, First Trust and Savings Bank of Pasadena, California.

*Vice-president:* ALVIN E. ROEMERSHAUSER, assistant vice-president, Whitney National Bank, New Orleans.

*Executive Councilmen:* GEORGE CLARK, Farmers and Merchants National Bank of Los Angeles; E. MAURICE FAUBION, Second National Bank, Houston; GERARD E. HAYES, The National Shawmut Bank, Boston; SAMUEL M. MCGINNIS, First Wisconsin National Bank, Milwaukee.

### National Public Speaking Contest for the A. P. Giannini Educational Endowment Prizes

Subject: *"Banking's Responsibility for Economic Leadership"*

*First Award,* Miss BARBARA PENDLETON, Grand Avenue Bank, Kansas City, Missouri.

*Second Award,* RICHARD C. MCCLINTIC, United States National Bank, Portland, Oregon.

*Third Award,* RONALD F. GOODSPEED, Marshall & Ilsley Bank, Milwaukee.

### National Convention Debate for the Jesse H. Jones Prizes

Subject, *"Resolved, That the United States Should Adopt a Policy of Free Trade"*

Won by Chicago Chapter (FRANK D. LANE, Federal Reserve Bank of Chicago; JOSEPH WAHALA, The South East National Bank; HAROLD BUKER, The First National Bank of Chicago, alternate) upholding the negative against Memphis Chapter (WILLIAM S. RAY, ROBERT C. ROGERS, and NEELY GRANT, JR., alternate, all of The First National Bank of Memphis).

### National Publicity Exhibit

Class A (Chapters with membership of 751 or over): First, *Boston;* second, *Denver;* third, *Pittsburgh.*

Class B (251 to 750): First, *Scranton,* Pennsylvania; second, *Wyoming Valley,* Pennsylvania; third, *Santa Clara County,* California.

Class C: (250 or less): First, *Battle Creek,* Michigan; second, *Sierra Nevada,* Nevada; third, *Wichita Falls,* Texas.


Chicago Chapter's winning debaters are congratulated by John F. Conway, chairman, Debate Committee: L. to r., Mr. Conway, Frank Lane, Federal Reserve Bank of Chicago; Joseph Wahala, The South East National Bank; Harold Buker, alternate, The First National Bank of Chicago. This team defeated Memphis Chapter

A convention guest, Comptroller of the Currency Gidney, seated, left, visits with Sidney B. Congdon, president of The National City Bank of Cleveland and of the clearing house. *Standing*, Paul M. Minter, a vice-chairman of the General Convention Committee, and Miss Anne Erste, convention secretary

A.I.B. by some 20 years; and the executive manager of the A.B.A., Merle E. Selecman. (Dr. Harold Stonier, the Association's executive vice-president and the Institute's former National Educational Director, couldn't be present because The Graduate School of Banking, which he directs, was in session at Rutgers University.)

It was greeted, in turn, by its guests, and by Sidney B. Congdon, president of the Cleveland Clearing House Association and of The National City Bank of Cleveland, whose welcome on behalf of the former organization ended with this compliment: "I am in the banking business, I have a selfish interest in the banking business, and the American Institute of Banking is good for the banking business."

The convention cheered reports of its national officers, committee chairmen and staff—and with reason, for they were reports of big achievements. For instance, membership in the Institute was 101,512, a new high, on May 29; enrolments in the study courses totaled 47,984, second largest in history (they may be well be above the old mark of 50,000 by the end of the A.I.B. year, August 31); and the forum and seminar, debate, public relations, and public speaking activities set new marks.

And the delegates took home an enthusiasm that will probably set up a whole new series of records during the 1953-54 administration of the incoming president and vice-president, Stetson B. Harman of Pasadena and Alvin E. Roemershauser of New Orleans—just as the Institute had done during the past year when the president was Martin J. Travers, vice-president of The Marine Trust Company of Western New York, Niagara Falls.

These A.I.B. folks, you see, are never satisfied. Their organization in the words of President Stet, "is old enough to profit by experience, young enough to visualize further fields of usefulness."

At Cleveland the Institute was old enough to look back on half a century of conventions. Its reminiscences were ably reenforced by the five delegates to the Cleveland meeting of 1903, who had returned to be honored as old-timers. Their names: A. V. Gardner and Harry C. Libby of St. Paul, Minneapolis Chapter representatives in 1903; W. F. Mackay and John C. McHannan of Cleveland, who came from that city's chapter in 1903; and George K. Wadsworth, another Clevelander, who was a Chicago Chapter delegate at Convention No. 1.

Here was a rare opportunity to pick up some A.I.B. background, so this reporter cornered Mr. Gardner. The conversation went something like this: Did Mr. Gardner know the late Joe Chapman of Minneapolis, "father of the Institute idea"? Did he! Listen—"Bo" Gardner was a messenger boy in the Northwestern National Bank of Minneapolis when Joe, the note teller, got a notion that maybe bank clerks should do a bit of studying. And one afternoon in the autumn of 1898 he said to Messenger Gardner, "Bo, I'm having a few men from other banks in this evening to talk about forming a study group. Wish you'd get the directors' room ready. Sweep it out and arrange the chairs."

Thus "Bo" Gardner bumped into history; you might say he set up the Minneapolis Bank Clerks Association which Joe Chapman started that night. (At least he made some of the necessary arrangements.) Later, when that association became Minneapolis Chapter of the American Institute of Bank Clerks, as the A.I.B. was first called, he was active in it for many years.

The other old-timers had stories, too. And each wanted to know, "Will Fred Kent be here?" Mr. Kent, the well-known, busy chairman of the A.B.A. Commerce and Marine Commission, was the Institute's first president, you remember, and a leading figure at the Cleveland doings 50 years ago. He couldn't attend this time, but sent this telegram:

"The American Institute of Banking since its first meeting in Cleveland half a century ago has developed a marvelous force for good in our country. Its 100,000 members have been a great stabilizing influence and an asset of intelligence to the bankers of the United States. You have my proud congratulations."

And at Cleveland, too, the A.I.B. was young enough to look forward. Discussions of the educational pro-

(Continued on page 126)

# Hughes Gives Budget Facts

(CONTINUED FROM PAGE 43)

Facing such conditions without the steps this Administration and the Congress have taken and are taking, *any* administration which had a sincere concern about the stability of the economy could not recommend that the tax reductions now written into the law should take effect. If deficits approaching these magnitudes should become a reality, they would further contribute to the inflation which has steadily depreciated the purchasing power of the dollar.

It will help to appraise this unhappy deficit picture if we look at the build-up of *appropriations* since 1950 for defense, for aid to foreign nations, and for domestic purposes. These are the heavy C.O.D. commitments which the President has spoken about. We haven't yet paid for them, but they are now and in the near future beginning to come in for payment in increasing volume. The level of governmental expenditures in any year is largely determined by the enactment of appropriations and other authorizations to spend Government funds which have been made in past years on this C.O.D. basis.

### Five Years' Appropriations

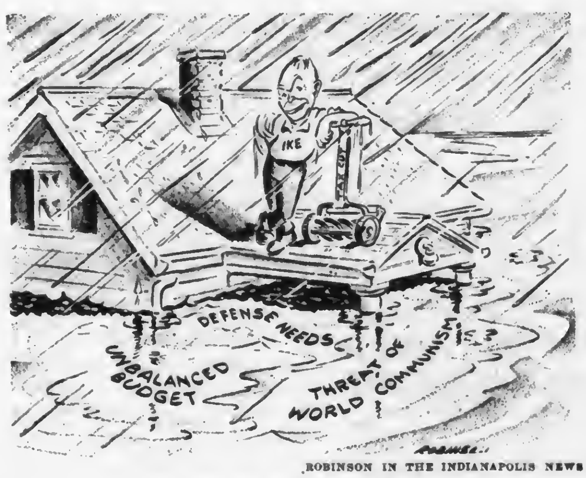
In the five fiscal years 1950 through 1954, appropriations authorized or requested before this Administration took office provided for the expenditure of Government funds exceeding the estimated revenues of the same five years by about $96-billion. The huge total of extra appropriations for these years was mainly due to the crash approach to defense after the beginning of the war in Korea. Unfortunately those expenditures, already authorized, programmed, and largely committed, reach their peak during the fiscal years 1954 and 1955, producing the deficits which now have to be overcome.

The budget submitted last January estimated that on June 30 this year (as we enter the fiscal year 1954) there will be carried forward $81-billion of current authorizations to spend Government funds for which the cash must be obtained from revenues or borrowings in future years. This enormous sum, which is wholly in addition to the figures in the current year's budget, is in large part already under contract or commitment, mostly for the delivery of defense materials and supplies. Some of these commitments have already resulted in the provision of plants and machinery and the accumulation and working up of materials, so that cancellation and unwinding of the operation, even where the Defense Department would otherwise find it desirable, would not be a feasible or practicable operation.

Study of the individual situations and of the particular conditions and requirements of each one of the literally thousands of operations involved may well reveal a substantial number of possible reductions. That is part of the continuing job which the President mentions in his message above referred to, but it cannot be accomplished in a few days or weeks. With persistence and determination, and provided there continues to be national support for the effort, we feel, as far as our work in the Bureau of the Budget is concerned, that wise and substantial savings, even in these items, can be made within a reasonable time, but certainly not in the few weeks that there have been available to work on it so far.

In summary, we enter the fiscal year 1954 with a number of adverse factors in our budget picture scheduled to come to a focus in the fiscal years 1954 and 1955. They are: the peaking of expenditures; the revenue loss as a result of tax reductions already in the law (which would certainly have had to remain only paper promises unless and until such reductions as this Administration has made and is continuing to make become effective); the overestimate of tax receipts for the fiscal years 1953 and 1954; and the difficulty of adjusting downward the expenditures for the huge build-up of contracts and commitments already on the books.

The determined and effective efforts taken by the present Administration to curtail Government expenditures have already improved the budget outlook for the fiscal year 1954, and will result in further improvements. Requests for new *appropriations* for 1954 have already been reduced below the budget of last January by more than $8.5-billion. Further reductions will be made. *Expenditures* as estimated in January for 1954 will be down some $4.5-billion as presently reviewed, but here also additional reductions will be made as the year progresses. These are the accomplishments of a few months only and represent




ROBINSON IN THE INDIANAPOLIS NEWS

"See What I Mean?"

first steps in what can be done.

How much further reduction in expenditures can be made will depend upon the effectiveness of the combined efforts of the Administration and the Congress and the continued support of the people. As the President has pointed out in his nationwide address of May 19, 1953: "Government cannot do this job—any more than any other job—utterly alone. You and your fellow-citizens who want your Government to spend less must yourselves practice self-restraint in the demands you make upon government. You as citizens cannot help the common cause by merely favoring economy for every group except the one to which you belong."

During the fiscal year 1954, further reductions in expenditures will be made by all the devices possible: the concerted action of all agency heads in continually reexamining and revising existing programs with a view to reducing expenditures; action by the Bureau of the Budget through the budget apportionment system to establish budget reserves wherever possible; and the constant and continuous effort of the present Administration from the top down to see that 1954 budget expenditures show a declining trend throughout the year. Consideration will be given also to proposing changes in legislation which require Government expenditures not now warranted either because of changing circumstances or the budgetary situation.

### Fiscal '55 Critical

As pointed out above, the fiscal year 1955 is critical from the budget viewpoint. This is the year when the previously established tax and spending programs create the greatest differences between revenues and expenditures as planned by the former Administration. Prompt counteraction is being taken by this Administration on both sides of the budget. Vigorous and persistent action is necessary to bring order into our financial affairs in the 1955 budget.

The very size of the budget reduction program we have embarked on requires that it be complete, Government-wide, and not confined to any few spots. We have had graphic illustrations of the principle that when costs and economy are not made an issue, expenses multiply and increase. We believe the converse is true, that when cost and economy become a high-level policy issue and are spread throughout the whole governmental machinery, savings multiply and increase. We shall have to scrutinize the thousands and the millions, which make up the billions, in every function and operation of the Government and apply the strictest standards of necessity and worthwhileness to each item.

Nevertheless, we also have to bear in mind the fact that to make the total of reductions needed we shall have to deal thoroughly with the defense categories, which account for such a large proportion of the total expenditure and for practically all the increase in expenditures in the last several years. Approximately 70 percent (or over $55-billion) of the proposed expenditures in the original 1954 budget go to finance our closely related military, foreign aid, and atomic energy programs. It is obvious that the future level of expenditures will depend to a large degree on what can be achieved in reducing these outlays. The fundamental purpose will be, as has been repeatedly stated, to provide real, effective, defense power "in being;" to eliminate and reduce dollars being spent wastefully or being used for less effective or duplicating programs.

The final level of budget expenditures inevitably will be greatly affected by international events and must be basically determined by what is found necessary for the national security of this country under prevailing international conditions, bearing in mind, as the President has stated, both military and economic requirements. This is the heart of our budget problem. It is fortunate that we have a President who is extraordinarily qualified to pass judgment on the staggering and sobering issues involved.

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*The person who is solely pleasure bent winds up not only bent but broke.*

One person you have to watch if you are going to save money is yourself.

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## News for Country Bankers

(CONTINUED FROM PAGE 71)

ference held on the 175-acre farm of Maxwell H. Covington at Davidsonville, Maryland. Sponsors of this full-day inspection conference included Group IV of the Maryland Bankers Association, University of Maryland, Prince George's County Farm Bureau, and the farm department of the First National Bank of Southern Maryland.

University professors explained to tractor-borne visitors that the owner bought 155 unproductive acres in 1937 for $8,000 and built the land so that today the original farm, plus 20 additional acres, is appraised at $59,050.

Among the bankers taking an active part in the program were: Alfred H. Smith, chairman of The Citizens Bank of Maryland, Riverdale, and chairman of Group IV; Abram Z. Gottwals, First National vice-president in charge of farm credit; and Giles H. Miller, president, Culpeper (Va.) National Bank.

## Farm Bill Revisions

FOLLOWING the appearance of Robert N. Downie, president of the Fidelity State Bank of Garden City, Kansas, before the Senate and House Agriculture Committees on S. 1501 and H.R. 4353—Farm Credit Act of 1953—the bills were sent to the Department of Agriculture for consideration of changes recommended by Administration.

Suggested changes included:

(1) The Farm Credit Board should make recommendations within a year to provide a plan for the retirement of Government capital in the agencies.

(2) The President shall appoint the governor of the Farm Credit Administration during such time as any Government capital is in the agencies.

(3) Deletion of the provision in the bill that the new Farm Credit Board would exercise budgetary control over the new Farm Credit Administration.

These changes are intended to serve as an incentive to the Government to withdraw its financial support from the Farm Credit Administration.

# Remington Rand Methods News

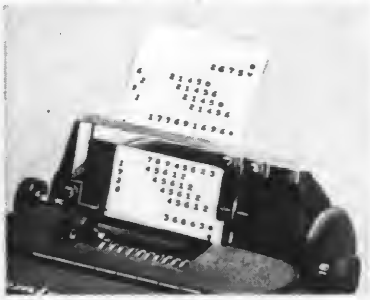
### *How a neighborhood bank streamlined its entire mortgage loan operation*

Formerly it took this smaller bank two days to check and list delinquencies on about 2000 mortgages — now they accomplish the same job in only 90 minutes!

This is typical of the results the bank got when it went looking for a system that would handle their mortgage loan accounting with the same speed and service that large banks get by machine methods. They found the right answer—at the right price—in the Kolect-A-Matic method.

Their new system is almost entirely automatic and includes many safeguards that make it virtually foolproof. Each ledger card has its own "home"—a labeled, identified pocket. In any check-through, an absent card is immediately noticed. An ingenious signaling device makes checking delinquencies possible in one-fifth the time formerly required. A coupon book plan, with pre-figured payments for a year in advance, eliminates many chances for miscalculations or misapplications.

The Kolect-A-Matic trays are housed in Safe-Files which provide 24-hour protection at the point-of-use. This also saves the heavy manual effort of moving records into the vault at night. For the whole story, read folder SN786.



### *New speed and accuracy in mortgage loan figuring*

A southwestern bank now computes monthly interest and service fees on loans with reducing balances—*in one fast continuous operation* which eliminates re-entry of figures and chance of transposition errors. They get a printed tape from their Remington Rand *Printing* Calculator that allows quicker checking of all computations and entries on records. This versatile machine also efficiently handles many other bank jobs such as market values of securities, interest earned on estimated reserves, account analyses, departmental and account distribution, listing deposit slips and checks. Ask for **SPAC4600.31** for more details.

### *New unit protects* ALL *savings records within an easy arm's reach of your tellers*

Remington Rand announces a new Safe-Ledger Desk which houses *signature cards* as well as ledgers. Its compact size saves floor space and permits convenient placement as needed behind savings tellers. Certified two-hour protection assures around-the-clock safety for your vital records. And perfect counter-balancing of the cover permits closure in seconds in case of a daytime flash fire.

This new unit supplements our complete line of point-of-use protection equipment which can be adapted to any volume of savings records and any desired motion-saving arrangement. For complete details on the new Savings Safe-Ledger Desk, ask for folder SC774.

Incidentally, how long since your savings signature cards were checked against the ledgers? One bank recently found missing signatures on 4% of accounts, incomplete signatures on 10% of joint accounts. For an efficient method to bring in missing signatures by mail, get folder **KD490.1.** To see how you can have a professional audit made for you and avoid upset in bank routines, ask for folder **BSD2.**

### *A simple way to improve your customer relations*

"Prior to installing your electric typewriter," writes a midwest banker, "we were not always too well pleased with the appearance of our correspondence. Now we are consistently turning out evenly printed, sharply defined letters." Many bankers find the Remington electric typewriter helps them make a better impression in executive and business development letters.

"Also," writes the same banker, "to secure the required number of carbon copies on reports frequently meant several writings. Now a dozen good carbon copies are no more of a problem than one." You'll find it saves time and effort on lots of work such as manifold loan tickets, security and trust records, purchase records, and statements. Ask for brochure **RE8612.**

**Remington Rand** INC

**Management Controls Reference Library**
**Room 2918, 315 Fourth Ave., New York 10**

*Please circle literature desired:*

| | | |
|---|---|---|
| SN786 | SPAC4600.31 | RE8612 |
| SC744 | KD490.1 | BSD2 |

Name ____________________

Title ____________________

Firm ____________________

Address ____________________

City __________ Zone ______ State ______

B-6

## Methods and Ideas

(CONTINUED FROM PAGE 55)

ferred credit or "float" account and sundry other cash collection balances such as coupons payable out-of-town, cash items payable only on presentation to the drawee, etc.

The objective in the audit of these check clearing operations, in addition to the detection of errors, is to prevent and detect any misappropriation of funds. In the larger banks there exists the internal control advantage in that the employees of the Transit Division have no access to cash. However, regardless of the size of the bank, the Federal Reserve bank account and the due from banks account should be reconciled by the auditor, or in banks without an auditor, by someone not connected with the check clearing operations.

Under Guaranty's audit procedure a reconciliation is effected daily between the general ledger balance and the statement of the reserve account received from the Federal Reserve bank. When the reconciliation is completed the auditor reports promptly by memo to the reserve officer the amount of the net "as of values" pertaining to debit and credit entries in the reserve account so that the officer may adjust his reserve balance accordingly. This is especially important when the amount of the Federal Reserve balance in excess of requirements is small; in other words, when the excess reserve is low. For checks drawn on the Federal Reserve bank account the auditor examines the check stubs received from the signing officers to determine that they are properly authorized, and to determine that the Fed has been properly credited. As checks are paid and returned, they are compared for regularity to the corresponding stubs.

Cash items payable at out-of-town banks, sent directly by the Transit Division to the various Federal Reserve banks throughout the country, are temporarily charged to an account carried on the cash collection ledger titled "Federal Reserve Float Account." On the day these cash sendings become available funds as per the Federal schedule, the reserve account with the Federal Reserve Bank of New York on the general ledger is charged and the "Float Account" credited. Every four months the auditor obtains a statement of this account from the Federal Reserve bank and reconciles it to the account carried in the cash collection ledger.

Two or three times a year Guaranty determines that the total of one day's checks sent by the Transit Division to the New York Clearing House, less the total of the checks drawn "on us" received from the clearing house the same day in the incoming exchanges, has been properly charged or credited to the Federal Reserve bank account. This book entry is in response to the charge or credit made to the Guarantee's account by Federal in accordance with the daily advice the Fed receives from the clearing house. For several days after this inspection the auditor examines all checks drawn on other banks (including out-of-town sendings) returned by the drawee banks because of "insufficient funds" or for other reasons, to be certain that such checks are the result of bona fide transactions. All returned items go directly to the redemption teller, whose duty it is to charge them back to the account of the depositor originally credited. As an important part of the internal control the redemption teller has no connection with the Transit Division or the processing of the outgoing checks.

The Auditing Division also reconciles the statements received directly from bank correspondents to whom cash letters and collections are sent and with whom Guaranty maintains depository accounts. Statements are received by the auditor monthly or more frequently where the volume of transactions warrants.

Quarterly the schedule requires the auditor to liquidate the open items on the cash collection ledger comprising the balance of each so-

### TWO BANKS' SCHOOL RELATIONS

**South Bend, Ind., school teachers visited the St. Joseph Bank and Trust Company during a "Business-Education-Industry Day" program. The picture shows the group in the office of President B. K. Patterson for a question and answer period after a tour of the bank**

**Seniors of a Richmond, Va., high school visiting the Central National Bank during "Know Your Bank Week." Central National is host to numerous groups of students, teachers, businessmen, and civic organizations throughout each year as part of its program for informing the public**

RICHMOND TIMES-DISPATCH

called "remittance account" carried with correspondent banks which remit periodically or as soon as sendings are collected according to arrangement. By "liquidate" is meant examination by the auditor of the remittance received in payment of cash letters as conclusive evidence that the debit balance carried on the cash collection ledger as of the date of the audit consisted of bona fide cash items.

Twice annually Guaranty makes a complete audit of the cash collection ledger by first preparing a trial balance and then reconciling or liquidating every depository or remittance account in the manner previously described.

## Public Utility Roundtables

IRVING TRUST COMPANY of New York is planning to hold its seventh series of public utility roundtables, starting next October. Eight sessions are scheduled.

The purpose of these annual conferences, which began soon after World War II, is to give groups of 25 to 30 utility financial executives an opportunity to discuss current market conditions for securities with leading investment bankers, insurance investment officers, and managers of investment fund portfolios.

Approximately 750 utility executives have attended, at the bank's invitation, the roundtables held since the program was introduced by Irving's Tom P. Walker, vice-president in charge of the public utility department.

The background of the idea is briefly this: After the war financing became a major concern of virtually all utility companies. The bank believed that the roundtables would be especially useful to officers whose experience had been with holding companies and who had had little opportunity for direct contact with the financial community.

Some 165 executives from 100 companies attended the seven meetings in the sixth series, concluded recently.

## In Brief

THE FIRST NATIONAL BANK OF CHICAGO has published "Getting Close to People," a brochure reviewing the bank's advertising activities for 1952. It was prepared for customers, friends and staff. "We believe," says President Homer J. Livingston in a foreword, "that the bank that gets closest to the people it serves will eventually serve the most people. That's why we've embarked on this overall campaign of strong and sustained advertising. We hope it will result in more people learning about and understanding the services we have to offer." The advertising covers savings, commercial banking, trust service, consumer credit, travelers checks, special promotions, and television.

SECURITY-FIRST NATIONAL BANK of Los Angeles is now selling personal money orders at its 140 branches.

UNION DIME SAVINGS BANK of New York and the New York *Herald Tribune* cooperated in a community service: three talks on personal finances for women in neighborhood business organizations.

The FIRST NATIONAL BANK of Attleboro, Massachusetts, issued an 8-page illustrated supplement to the local newspaper to mark the opening of its new quarters.

THE ROYAL BANK OF CANADA, through its business development department in Montreal, is offering practical assistance to United States firms wishing to explore the possibilities of establishing new industries in Canada. The department maintains a list of plant sites and available premises, and can supply factual information on local labor supply, transportation, power, taxes, etc., anywhere in Canada. Assistance in the selection of trade and sales representatives is also offered. Officers of the department are prepared to visit American businessmen who are considering the Dominion as a field for expansion.

CALIFORNIA BANK, Los Angeles, in cooperation with the city schools, sponsored a business letter-writing contest for business and secretarial students of the six Los Angeles junior colleges.

TRADE BANK AND TRUST COMPANY of New York conducted a "Sell-Ebration Campaign" among the 250 staffers to mark its 30th year. President Henry L. Schenk reported that the sales drive brought in more than $8,000,000 in new deposits and more than 3,000 new customers. Prizes were given to the employees who produced the most business.

THE FIRST NATIONAL BANK OF ST. PAUL has published a 36-page illustrated booklet briefly describing its services and where to find them. It was prepared as a feature of the bank's 100th anniversary celebration.

**The Idaho First National Bank presented a copy of the color movie, "Idaho on the March," to the film library of Boise Junior College. In the photo Dr. Eugene B. Chaffee, *left*, president of the college, receives the film from the bank's vice-president, William E. Irvin**

# Federal Reserve

(CONTINUED FROM PAGE 53)

raise requirements no longer exists.

### Selective Credit Controls

The Federal Reserve Board should have discretionary stand-by authority to regulate consumer and real estate credit. It does not appear feasible to limit the use of the authority to conditions of national emergency or to try to legislate specific criteria by which to determine when the regulations should be imposed. No change appears to be required in the existing authority for the regulation of stock exchange credit. Selective credit controls should not be extended beyond the three financing areas in which they have been used.

### Board of Governors

The act should require in general language that appointees be versed in banking and finance by education, training, or experience.

The salaries of members should be raised to levels commensurate with the responsibilities and qualifications required. The salaries recommended by the Douglas and Patman subcommittees should be regarded as a minimum.

The number of members should be reduced from seven to five, their term of office shortened from 14 to 10 years, and the prohibition against reappointment removed.

### Federal Reserve-Treasury Relationships

The most promising means of resolving conflicts between the Federal Reserve and the Treasury is that proposed by the Douglas subcommittee in January 1950.

### Management of the Public Debt

Congress should establish a public debt commission with broad terms of reference to undertake an exhaustive investigation of all aspects of the public debt problem.

### Government Credit Agencies

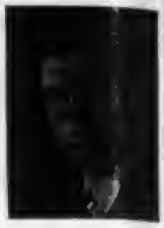
Congress should also review the social objectives, statutory powers, and functions of all Government credit agencies with a view to their possible elimination or consolidation. Such a review should be concerned with their economic ramifications, and its aim should be to determine under what conditions their activities are compatible with stable economic progress and to discover the means by which their social and economic objectives can be reconciled with Federal Reserve policy.

### Emergency Powers of the President

Various emergency powers of the President and the Secretary of the Treasury to intervene in the affairs of the Federal Reserve System should be repealed.

THE policy-making machinery of the Reserve System needs to be strengthened, the report says. This could be done through (1) improvement of qualifications and prestige of the Board of Governors; (2) reallocation of certain powers between the Board and the Open Market Committee; and (3) greater degree of banker participation on advisory bodies.


H. W. Rasmussen


R. F. Loree, Jr.

## MAIN STREET (from p. 26)

United States and the rest of the world. He has been a member of the committees on Government Affairs and Policy of the United States Chamber of Commerce and has indicated that he agrees with the Chamber's policy of more trade with other countries and a certain amount of aid.

HAROLD W. RASMUSSEN has been promoted to vice-president of The Marine Midland Trust Company, New York.

ROBERT F. LOREE, JR., has advanced to vice-president of The New York Trust Company. He has been associated with the bank's credit and development activities in six Midwestern states.

Secretaries of the trustees of EAST RIVER SAVINGS BANK, New York, were given a luncheon at which each sat in the chair normally reserved for her boss in the private dining room—all this in celebration of the bank's 105th birthday. Every member of the bank's staff observed the birthday by wearing a white carnation and a silk ribbon with "105 years" in gold letters.

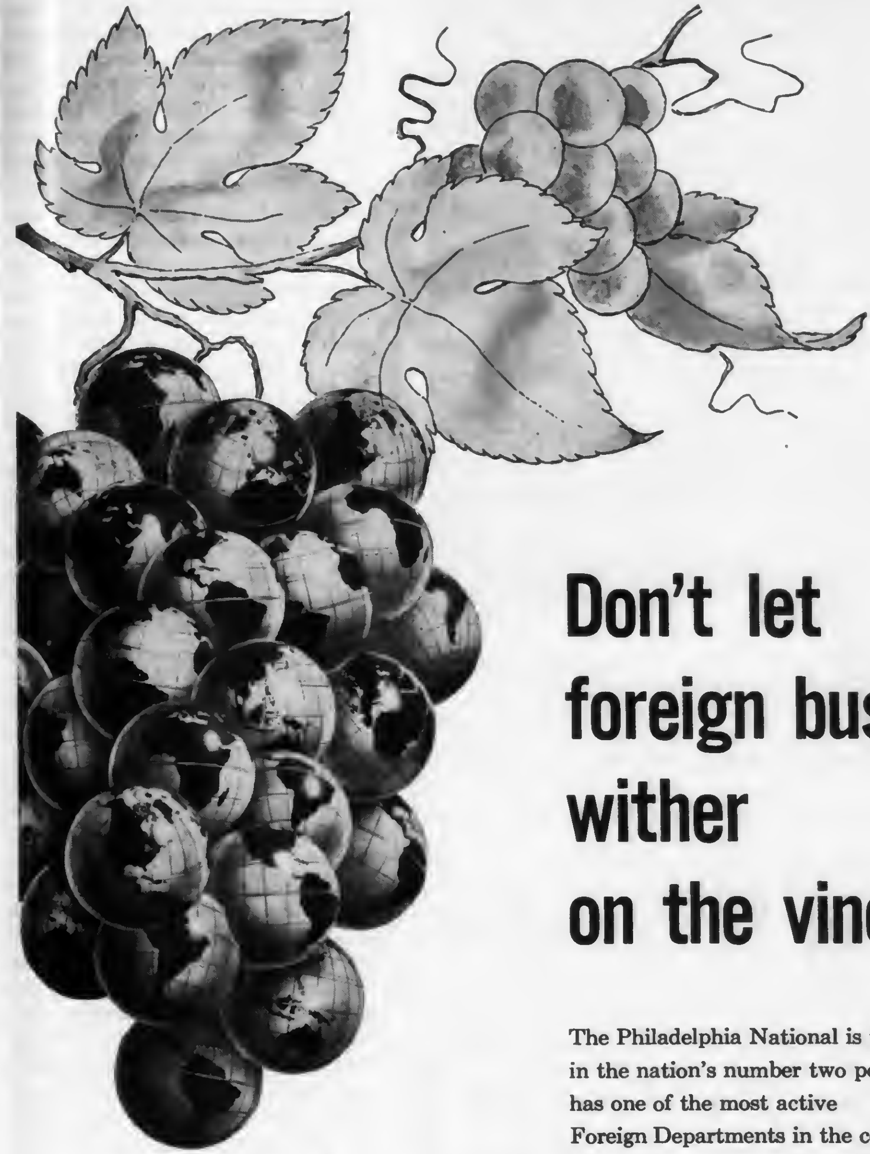
### "Nationally Famous"

The *Kanabec County Times*, of Mora, Minnesota, recently ran a feature entitled "Kanabec County Has Produced Its Share of Nationally Famous People."

"One of the most familiar Horatio Alger success stories," says the paper, "is that of FRANK P. POWERS, president of Kanabec State Bank, who started in a community of less than 100 and rose to become prominent in national banking circles."

MR. POWERS was treasurer of the American Bankers Association in 1947 and 1948, has served in other capacities, and currently is a mem-

(CONTINUED ON PAGE 125)



## Building Goodwill Through Community Service

(CONTINUED FROM PAGE 62)

in connection with the county fair at St. Charles. All classes of livestock share equally in premiums.

Last year, for example, breed champions in the dairy and beef divisions got $15 each. These awards went to top-placing Ayrshires, Guernseys, Jerseys, Holsteins, and Brown Swiss in the dairy division, and to Angus, Shorthorns, and Herefords in the beef division. In addition, there were 20 awards of $7 each for blue ribbon winners in the dairy class, eight blue ribbon awards of $7 each in the beef division, 25 red ribbon awards of $5 each in the dairy division, and 10 of $5 each for red ribbon beeves. Swine, sheep, and poultry winners also shared in the premiums.





Other award projects included: A fund of $75 for special awards; $120 for home economics and health; $35 for 4-H leader recognition; $25 for a fruit project; $75 for purebred sire awards; and $75 for a 4-H rally.

Total expenditures amounted to less than $1,500. The money came from several communities in the county—45 percent from Winona, largest town in the county with a population of about 25,000; 25 percent from St. Charles; 15 percent from Lewiston; 10 percent from Altura; and 5 percent from Utica. Names of the businessmen are publicized so that each received recognition for being a supporter of 4-H work.

The agricultural committee makes only one general solicitation each year. Farm groups which previously had visited individual merchants and professional people for funds to support their programs now contact the committee instead. This relieves county agents of the task of asking for funds and are able to spend more time on other activities.

### Better Agriculture

The list of farm projects which George Robertson's committee helps is a lengthy one. It includes the Winona County Fair, 4-H Achievement Day, Witoka Calf Show, 4-H essay and speaking contests, Farm Bureau membership drive, farm safety contests, FFA annual banquet, recognition banquet for 4-H adult leaders, adult farmers meeting, annual meetings of the Soil Conservation district supervisors, donations to 4-H programs in Trempeleau and Buffalo counties, an annual Farm Family Day that draws as many as 1,500 people, and many other smaller and less known projects. These smaller projects include: State conventions of turkey growers; fruit growers; Holstein, Guernsey, and Brown Swiss breeders; and the

Mr. Robertson, *center*, with Secretary of Agriculture Ezra Taft Benson, *left*, and U. S. Senator Edward J. Thye (Minn.)

State Soil Conservation District Supervisors Association.

Each year the agricultural committee extends an invitation to the county agent and the vocational agriculture instructor to discuss their financial programs with the group.

"It stands to reason we should help these people with their financing," Mr. Robertson said. "After all, we are the trade center for a big group of farm people. We want them to realize we're tremendously interested in them and want to see them succeed."

**Banking Career**

Mr. Robertson is a native of Willow City, North Dakota, and started his banking career as a "Jack-of-all-trades" in a local bank after completing a year at the University of North Dakota. This career was interrupted when he left the bank to become one of the first to enter the officers' training camp at Fort Snelling at the outbreak of World War I. He served for 15 months overseas with the calvary, and, upon being discharged, went to Montana, where he worked for the Federal Reserve. Ultimately, he became Minnesota's Superintendent of Banks.

In 1932, he became affiliated with the Northwest Bancorporation, and in 1935 was made vice-president of the Union Bank and Trust Company of Helena. In September 1937, he was elected executive vice-president of the First National Bank in Winona and has been its president since 1941.

Besides the goodwill created for his bank and banks in general, one cannot give as generously to his community as Mr. Robertson has without making many friends. Recently when an acquaintance spoke to him about this rich store of friendships, he responded: "It's about the best kind of riches a man should strive for. I consider myself fortunate indeed in this regard."

---

*When the rubber companies bring out a new tire, do they celebrate with a blowout?*

Nothing redistributes wealth like taxation and a big family.

*A giraffe gets a sore throat when he gets wet feet, but not until the next week.*

# Washington

(CONTINUED FROM PAGE 41)

viving the idea of credit rationing of all lending under the direction of the Federal Administration.

### Attack's Success Not Likely

There is little likelihood that the attack upon the free-market money policy will succeed in the immediate future, however.

For one thing, under the present leadership of Congress this subject will not be given the least sympathy or consideration.

For another thing, the Federal Reserve System, judging by present indications, is unlikely to be moved by criticism to abandon its policy in any way. The Reserve Board is expected to make sufficient funds available to assist in the provision of credit for the seasonal upswing in loan demand, taking into account the larger total production capacity of the nation. The Board, however, will not assist sufficiently to satisfy all demands for credit or to let go of the tight rein it is holding against the resumption of monetary inflation.

This assistance, however, is not to be construed, it is pointed out, as a backing down on its policy. Hence it is not directed at the support of Government-security prices.

At the time of writing it was planned tentatively that the Congressional Joint Committee on the Economic Report would hold public hearings on monetary policy, perhaps before a subcommittee under the Chairmanship of Rep. Jesse P. Wolcott (R., Mich.). Such hearings would serve as a forum before which the free market policy could be explained, and in a way which would get its objectives and workings across to perhaps millions.

While the "honest money" policy was not in any immediate jeopardy, no official observer could guarantee its security against possibly drastically changed economic conditions or perhaps even a new leadership in Congress.

### Consider Better Break on Bank Loss Reserves

Treasury officials publicly disclosed to Congress that they are considering easing the present requirement regarding bank reserves for bad debts.

This revelation came in hearings before the Senate Banking Committee on the question of legislating a substitute for the Reconstruction Finance Corporation, as an aid to small business.

Chairman Homer E. Capehart (R., Ind.) of the committee, raised the question in the course of questioning Secretary Humphrey and W. Randolph Burgess, Deputy to the Secretary of the Treasury. The inadequacy of the present loss reserve had likewise been called to the attention of Treasury officials by officials of the American Bankers Association.

Mr. Burgess said that the 20-year average loss basis as a reserve "is rather inadequate," and he also said revision was under study. Reserves carried by FHA and other Government corporations are about five times as high as the Treasury allows banks to carry, Chairman Capehart said, adding that the Government is following one standard for itself and requiring an entirely different standard for private banking.

#### Wants Loan Coordination

Secretary Humphrey also revealed that he was "very anxious" to have a uniform policy for Government lending agencies. These agencies, he said, should coordinate their lending policy through the Treasury.

Although this idea of the Secretary's could have considerable significance, he did not further elaborate upon it, except to suggest that he did not mean that the Treasury should actually handle the making of loans by other agencies.

Mr. Burgess also told the committee that the National Bureau of Economic Research is making a study of Government lending agencies. It will be somewhere between six months and a year, however, before that study is completed and released, the official said.

#### Controls' End Voted

One of the solid achievements of this session of Congress was the ending of controls. Congress has terminated the actual or potential legal authority to re-establish controls. Congress has said, in effect, that it does not want the controlled economy short of a big war.

To this there is only a minor exception. Rent controls under Federal authority will continue in hundreds of communities, until July 31. After July 31 there is Federal authority only for the most limited scope of rent control. This control shall be confined to strictly defined defense areas.

Hereafter—until the most grave national emergency or until Congress changes its mind—the Federal Government will have no explicit legal authority to regulate consumer or real estate credit, or to try to put regulatory lids on prices and wages.

Even in the event of war or some other grave national emergency, it will take an act of Congress to provide the explicit legal authority for the revival of these same controls.

From the beginning of this session until early last month, there had been a constant threat of the return of controls.

#### Explore Aids for Small Business

Both the House and Senate Banking Committees held public hearings on the subject of whether the Government should provide some kind of special assistance for small business, whether this assistance should include the lending of money, and what form the aid should take.

Officials of the Treasury and Commerce departments, of the Small Defense Plants Administration, of the A.B.A., and from industry testified extensively. Among the witnesses were Messrs. Humphrey and Burgess from the Treasury, and from the A.B.A. there were two who discussed this subject.

One was Everett D. Reese, president of the Park National Bank, Newark, Ohio, and vice-president of the A.B.A. The other was William F. Kelly, executive vice-president of the Pennsylvania Company for Banking and Trusts, Philadelphia. Mr. Kelly is chairman of the A.B.A. Small Business Credit Commission, and he appeared before both the Senate and House Banking committees.

Both A.B.A. witnesses recommended against Government lending, and said that any special aid for small business should be exclusive of lending. Mr. Reese presented many statistics disclosing the tremendous volume of loans which commercial banks make to small business customers. "It would appear from these figures that small business is being taken care of adequately," noted Mr. Reese.

"The banks of this country have demonstrated clearly their readiness and ability to supply the justifiable credit needs of industry and commerce, small as well as large," he added.

Mr. Reese also explained in detail to the House committee how the Small Business Credit Commission has been encouraging banks to make loans and otherwise assist small business concerns with advice and counsel in connection with their operations.

### Kelly Notes Banks Lend Most to Small Business

Mr. Kelly pointed out to the Senate committee that most of the lending done by the commercial banks of the United States is done for small business.

"It should be mentioned that the great majority of banks are themselves small business," he said. "Because of their size, approximately 12,000 of the 15,000 banks in this country can make loans only to small business."

The Philadelphia witness also told the Senate committee that the Small Business Credit Commission is

(CONTINUED ON PAGE 118)



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working zealously to encourage banks to service small business.

"It was the Commission's objective to see that bank credit would be made available to every competent person, firm, or corporation in the United States needing credit for a constructive purpose," Mr. Kelly said.

"In order to carry out this objective, the larger banks were encouraged to, and did, revitalize their correspondent bank relationship so as to give greater assistance to the smaller banks in negotiating and servicing difficult loans especially to small business and in sharing these loans with the local bank.

"This share-the-loan policy proved very effective," Mr. Kelly said.

### Bennett Says RFC Business Is Insignificant

The information the A.B.A. witnesses presented, that the overwhelming legitimate credit needs of business were already supplied by commercial banks, was not seriously challenged in either the House or Senate committee.

Actually, Senator Wallace F. Bennett (R., Utah) noted, the volume of business of the RFC is insignificant beside the volume of loans by commercial banks. A study by the Federal Reserve Board, the Senator noted, showed that for November 1945 to November 1946 commercial banks made 115,700 loans of less than $100,000 each, and had 514,000 of such loans in the amount of $2.9-billion outstanding Nov. 30, 1946.

While there is no such breakdown for commercial bank loans in 1952 (which probably would be larger than in 1945-46), RFC did make but 476 loans of $100,000 each or less in 1952, and at present is making such loans at the rate of about two per day.

"You realize when we talk about preserving that (RFC) needed service to small business, we have come down to the point of diminishing returns. The thing just falls of its own weight," the Senator concluded.

### Treasury Lukewarm

Officially the Treasury suggested to Congress that if the RFC is to expire on statutory schedule June 30, 1954, then some other agency should be created to take its place, and that agency should probably be empowered to make loans under strictly limited circumstances.

The official Treasury viewpoint was formally outlined by Mr. Burgess. He said that there should be created some single agency to make loans "as a kind of safety valve" for exceptional cases; that this agency should not compete with, but should support other lenders; that loans by this agency should avoid subsidizing marginal lenders; that Government assistance disbursed by this agency should be the minimum; that the RFC should be terminated; that the lending policy of this agency should be consistent with national credit and fiscal policies; and that the Secretaries of the Treasury and Commerce should be members of a Loan Policy Board to supervise the lending policies of the agency.

While the Treasury officials supported the idea of creating a substitute for the RFC, neither Mr. Burgess nor Secretary Humphrey gave the committee the impression of being very vigorous advocates of this course.

### Wolcott Pushes Substitute

As heretofore related, the argument of the A.B.A. witnesses that the legitimate credit needs of small business are served adequately by the banks, was not seriously challenged. Nevertheless, the GOP leadership took the position that political considerations demanded that a substitute for the RFC be established. Accordingly, Mr. Wolcott pushed passage through the House of the bill to create a Small Business Administration and at writing its eventual acceptance by the Senate was expected by leaders.

This Small Business Administration, in the bill passed by the House, would be an independent agency. It generally would follow the lending policies suggested by Mr. Burgess, and mentioned above. Furthermore, loans would be limited to $10,000 each, whether direct or participation. Funds available for this lending would be limited to $150-million.

Like the Small Defense Plants Administration which it will succeed, if enacted into law, the Small Business Administration may assist small business firms to form pools to bid on Government contracts, and for this purpose has funds of $100-million.

### Cravens Shrinks RFC

Meanwhile Kenton R. Cravens, the new Administrator of RFC, moved quickly to reorganize that agency in preparation for its legal termination a year from June.

In two reorganizations, he curtailed the field staff by 477 and the Washington staff of the corporation by 233, for a total annual savings of $4.3-million, and simplified RFC procedures.

Also on May 18 he issued a precise and detailed new statement of loan policy, with the approval of the Loan Policy Board. This new statement tightens up the use of Government credit in various ways.

No loans are to be made which encourage monopoly, to any applicant company with inferior management, and private credit must be obtained to the maximum extent possible. Preference is given to a participation loan in which the distribution of the Government proceeds is deferred. Only when neither an immediate nor a deferred participation loan can be obtained, will direct RFC loans be made.

Among the many features of the new loan policy was the provision that the unwillingness of a Government procurement agency to guarantee a V-loan shall be conclusive evidence that the making of a loan by the RFC is not in the public interest.

Another feature of the new policy is a 5-year loan limitation except with the prior approval of the Administrator, and under extenuating circumstances.

Mr. Cravens, a former vice-president of the Mercantile Trust Company, St. Louis, became RFC Administrator May 1. He thus reorganized his agency and established its policies in less than three weeks. No other official of the new Administration grasped his agency's functions so soon or moved with equal speed.

> *Debt Pamphlets*
>
> FOUR pamphlets in the "National Debt Series," originally published in 1946-1948, are still available in limited supply, it has been announced to A.B.A. members by Evans Woollen, Jr., chairman of the Association's Economic Policy Commission. These pamphlets were among those published in the immediate postwar years by the Committee on Public Debt Policy, at that time headed by W. Randolph Burgess, former president of the American Bankers Association and now Deputy Secretary of the Treasury. The studies now available, all of which have the endorsement of the Economic Policy Commission, are : (1) *Our National Debt after Great Wars*, (2) *Our National Debt and the Banks*, (3) *Our National Debt and Savings*, and (4) *Our National Debt and the National Welfare.*
>
> The four titles can be obtained by writing to the Committee on Public Debt Policy, c/o Mrs. Eleanor Daniel, Research Associate, The Mutual Life Insurance Company of New York, 1740 Broadway at Fifty-fifth Street, New York 19, N. Y.

### Seeks Control of Budget

Since the June issue of BANKING went to press, Administration officials have broken their long silence about Federal budget plans and intentions. They have talked freely on this question regarding both the tax and spending aspects, and the air, so to speak, is full of figures. The fundamentals of the budget and tax picture may be summarized briefly:

(1) Outstanding in all these statements is this idea: The Administration is trying to get control of the Federal budget, to work toward a balance. How tremendous that problem is from the Administration's viewpoint was highlighted in the inadequately published report of Charles E. Wilson, Defense Secretary, before the House Appropriations committee.

It was Mr. Wilson's contention that in Mr. Truman's budget of last January the way was cleared not merely for the forecast budgetary deficit of $9.9-billion for fiscal '54, but for a deficit of $15-billion in '55, "and further substantial deficits during the next two years, with the probability of a balanced Federal budget deferred until fiscal year 1958."

(2) To seek this balance, the Eisenhower Administration has proposed the economies which will result in a request for $8.5-billion fewer of new and additional appropriations than were recommended for fiscal '54 and subsequent years in the Truman budget.

(These are reduced *new appropriations* only, not a "budget cut" properly speaking, but a reduction of better than 10 percent in the amount to be added to the $81-billion of unspent authorizations on hand at the beginning of the new year, the $81-billion of "COD orders," as Secretary Humphreys calls them.)

(3) Also to seek this balance, Mr. Eisenhower has asked Congress that (a) the excess profits tax expiration be prolonged from June 30 to December 31 of this year; that (b) various excise tax increases such as on gasoline, cigarets, and liquor, which would be reduced in scale

after the first quarter of calendar '54, be continued; and that (c) the prospective drop to 47 percent from 52 percent April 1 in the corporation income tax be postponed. He has also proposed that the payroll deduction for contributory old age security benefit payments stay at 1½ percent, instead of otherwise rising under the law as at present written to 2 percent at the beginning of next year.



**Leaves Deficit $5.6-Billion**

If these recommendations are adopted by Congress, President Eisenhower said, the Federal Government will have a budgetary deficit of $5.6-billion and a cash deficit of $2.8-billion for fiscal '54. This compares with a budgetary deficit of $9.9-billion and a cash deficit of $6.6-billion forecast for the same year by Mr. Truman.

(4) President Eisenhower is not proposing to cut the cost of government absolutely, however, by any material amount below what is currently being spent after a steady rise under Mr. Truman.

Fiscal 1953, which expired at the end of June, was expected to show an actual expenditure in about the amount estimated by Mr. Truman ($74.6-billion), since it had not, as had other Truman figures, been challenged. The Eisenhower Administration expressly disavowed any responsibility for cutting in fiscal '53, a "Truman year."

Thus Mr. Eisenhower's estimated expenditures for fiscal '54 at $74.1-billion will hold at only $500-million less than the peak postwar year reached under the defense build-up under Mr. Truman. Economy by the new Administration, so far as actual expenditures are concerned, is "cutting down" to the most expensive year under Mr. Truman, even if a cut in projected expenditures of $4.5-billion below Truman *projections*.

On the other hand, but for a vigorous economy drive, undoubtedly expenditures for fiscal '54 and subsequent years would have gone much higher than the $74.1-billion estimated officially by Mr. Eisenhower.

**Future Is Clouded**

Particularly because of the situation in Korea, the future is clouded. Members of Congress figure that the difference between having troops inactive in Korea and having them in combat, represents a savings of $5-billion per year.

Consequently, Congress may be a little more disposed to cut expenditures below the sums requested by the President. It will be less inclined to extend expiring taxes, and action this year to continue the higher excise and corporation tax rates in any case looked doubtful.

There is also a possibility that as time passes the absence of military involvement, barring other crises

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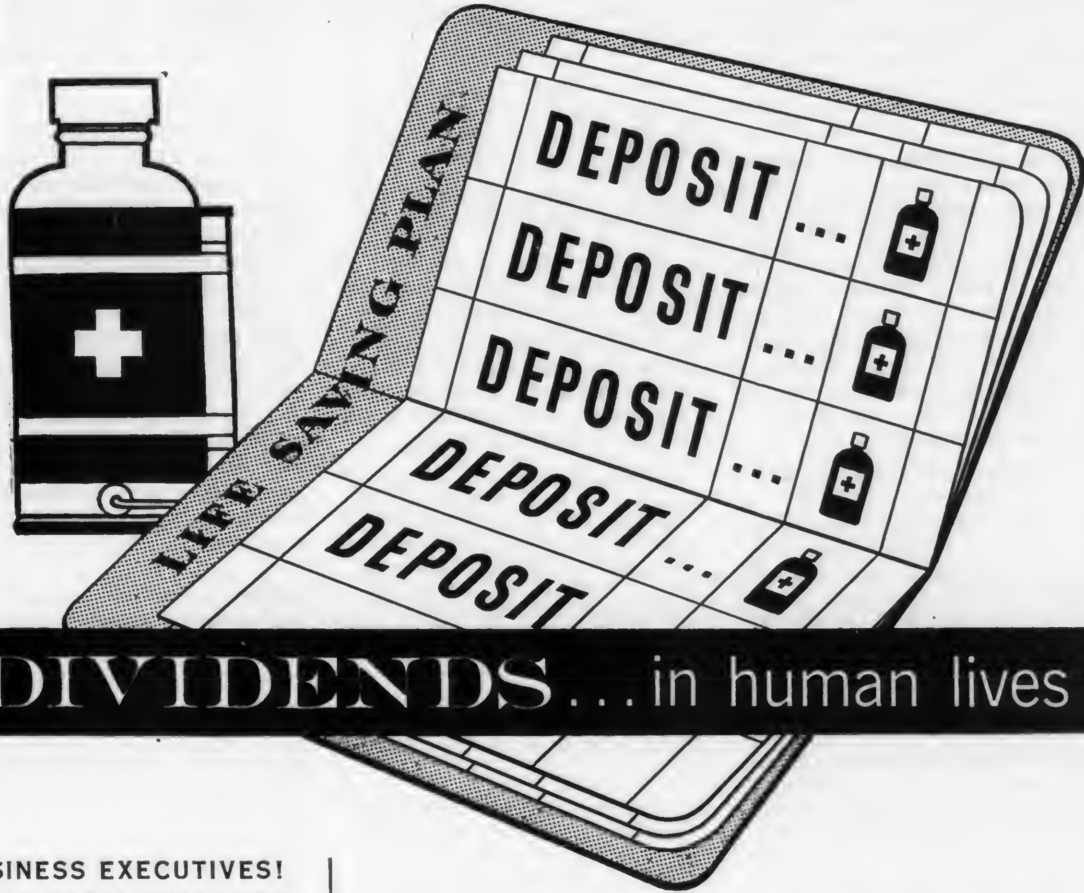


# DIVIDENDS . . . in human lives

**BUSINESS EXECUTIVES!**

**CHECK THESE QUESTIONS**

If you can answer "yes" to most of them, you—and your company—are doing a needed job for the National Blood Program.

- ◯ HAVE YOU GIVEN YOUR EMPLOYEES TIME OFF TO MAKE BLOOD DONATIONS?
- ◯ HAS YOUR COMPANY GIVEN ANY RECOGNITION TO DONORS?
- ◯ DO YOU HAVE A BLOOD DONOR HONOR ROLL IN YOUR COMPANY?
- ◯ HAVE YOU ARRANGED TO HAVE A BLOODMOBILE MAKE REGULAR VISITS?
- ◯ HAS YOUR MANAGEMENT ENDORSED THE LOCAL BLOOD DONOR PROGRAM?
- ◯ HAVE YOU INFORMED EMPLOYEES OF YOUR COMPANY'S PLAN OF CO-OPERATION?
- ◯ WAS THIS INFORMATION GIVEN THROUGH PLAN BULLETIN OR HOUSE MAGAZINE?
- ◯ HAVE YOU CONDUCTED A DONOR PLEDGE CAMPAIGN IN YOUR COMPANY?
- ◯ HAVE YOU SET UP A LIST OF VOLUNTEERS SO THAT EFFICIENT PLANS CAN BE MADE FOR SCHEDULING DONORS?

Remember, as long as a **single** pint of blood may mean the difference between life and death for **any** American . . . the need for blood is **urgent!**

**NATIONAL BLOOD PROGRAM**

America's blood bank needs **more** blood, **now**. Be a regular depositor and know that your dividend is saving a life of some American—somewhere.

It may be a soldier shot down in battle, suffering from **shock.** Or someone here at home, sick and in dire need of new blood to restore life. A mother in childbirth, or a child in an accident.

America must give. America is **you**. Won't you call your Red Cross, Armed Forces or Community Blood Donor Center right now, for an appointment?

# GIVE BLOOD

. . . give it again and again

(CONTINUED FROM PAGE 120)

around the world, might deflate considerably the interest of the public in the heavy foreign aid and military spending backed by the President.

So far as the Administration itself is concerned, a balanced budget by the end of fiscal '54 is tentatively promised, by persistent and regular cuts from month to month. The President seems to make this balanced budget contingent upon an improvement in world conditions. Secretary Humphrey promises it unless conditions worsen.

### Tax Relief Doubtful

Mr. Eisenhower backs this much tax relief definitely:

(1) He is willing to let the excess profits tax die December 31. Secretary Humphrey told Congress categorically that the Eisenhower Administration not only would *not* press for this tax in the future, but would oppose this tax if it were offered in Congress, and would oppose it even in case of total war.

(2) President Eisenhower is also willing that the second personal income tax boost enacted in 1951, averaging 11 percent on an annual basis, shall expire on statutory schedule December 31 of this year.

(3) President Eisenhower promises to send to Congress in January a tax bill to equalize tax burdens and provide incentives. This, however, is not a promise that the proposed bill will reduce taxes over-all. It is simply a promise of tax readjustment, reducing some burdens but compensating the Treasury therefore by seeking other objects of taxation or higher other rates, in the interest of equity.

In view of the budgetary gap of \$5.6-billion, such a prospective curtailment in spending appearing in sight by January as to overcome this gap and still provide a substantial margin for tax relief, is not a sanguinely hopeful prospect at this juncture.

### Burgess on Interest Rate Increase

"One of the primary objectives of the present Administration is to return our American economy to a position in which the forces of the market place have the greatest possible scope for action consistent with the well-being of the people."

## HAVE YOU SEEN . . . .

(1) Secretary Humphrey's analysis of the fiscal problems of the Treasury. Write to the Information Service, Treasury Department, Washington 25, D. C., for the Secretary's statement before the Ways and Means Committee.

(2) The President's statement on the "dedication" of the Federal Government to maintain constantly expanding economy with a rising standard of living. Write to the White House, Washington 25, D. C., for the President's statement accompanying a reorganization of the Council of Economic Advisers.

(3) A complete statement and explanation of the RFC's loan policies under Administrator Cravens. Write to the Administrator, Reconstruction Finance Corporation, Washington 25, D. C., for the RFC "Loan Policy Board Policy Statement No. 2."

(4) A list of the regional and branch offices of the RFC under its new reorganization. Write to the Administrator, Reconstruction Finance Corporation, Washington 25, D. C.

(5) Treasury's statement before the Senate Banking Committee outlining precisely the Administration's attitude toward loans to small business, given by W. Randolph Burgess, Deputy to the Secretary. Write for this to the Information Service, Treasury Department, Washington 25, D. C.

So said Dr. W. Randolph Burgess, Deputy to the Secretary of the Treasury in charge of Debt Management in a statement explaining the basis of the Administration's increase in interest rates on Government securities.

In harmony with this broad objective, the Treasury adjusted its offerings, Dr. Burgess said, explaining that there had been consultations with leading investor groups prior to offering the 3¼ percent issue.

As to the lower market prices of Government securities, Dr. Burgess said that this "does not result in a real loss until the securities are sold." He referred also to the Federal-State supervisory agreement of 1938 that Government securities would be appraised at par by bank examiners.

Dr. Burgess made the point that "the very fact that market prices of long-term securities have failed —and that interest rates have risen —may work toward strengthening rather than weakening the financial institutions."

He explained that "a reduction in prices of existing long-term Government issues provides these institutions with opportunities to invest newly accumulated funds in these issues (through market purchases) at higher rates of return.

"As a result, their financial structure may be strengthened and at the same time increased dividends may be provided to millions of policy holders and savings depositors."

He said that "most mutual savings banks and insurance companies have little need to liquidate the long-term Government bonds that they already own."

### Abandon Plan For Easier FHA Terms

In submitting its legislation for continuing some of the powers under various housing laws which otherwise would expire June 30, the Eisenhower Administration abandoned plans for reducing down-payments and providing longer maturities for some FHA loans. Such easier FHA payments had been urged by the construction industry and were understood to have been accepted, up until a few days before the bill was given to the two Banking committee chairmen to introduce.

As introduced, the bill would add a pool of \$1.5-billion to all FHA insurance funds except for Title I, which previously had been increased. FHA was expressly authorized to boost the interest rate on Wherry Act, cooperative, and defense rental housing, as it had done to 4½ percent on Title II loans.

The bill also continued the Federal National Mortgage Association's authority to make advance commitments, continued military (Wherry Act) housing, and certain features of the Defense Housing Act.

A scientist says even pure-looking air has dirt suspended in it. He apparently has radio and television in mind.

*If a wife wants to know how business is, all she has to do is ask her husband for a mink coat.*

# Public Relations a "Sum Total"

"BANKING'S Public Relations Job" was the subject of a talk by S. H. Chelsted, vice-president, Peoples First National Bank & Trust Company, Pittsburgh, before the Pennsylvania Bankers Association convention. Mr. Chelsted began by stating that the subject had to be considered under two headings: the individual bank's public relations job and the banking industry's public relations job.

"The complete success of each program is dependent largely upon the success of the other," he said.

"Public relations is the sum total of everything we do individually and collectively," stated the Pittsburgh banker. "It is the character of our institution properly interpreted. Public relations is what the name implies—the relations we establish with the general public—but we must remember that it's up to us whether it will be good or bad. If it is to be good, we must get the public, not only our customers, to know us for what we really are, to like us for what we do, to respect us for what we stand for and to want to do business with us because they have faith in us. We should remember that it's what the public thinks we are, not necessarily what we are, that counts. Public relations is somewhat like an individual—when you get to know him better, you like him—even though you recognize his shortcomings. The danger lies in not letting people know you.

"The establishment of good public relations is a long-range project. It can't be done overnight or by spasmodic promotions—we have to build thoroughly, bit by bit, with the aid of every factor favorable to our business. There is great fluidity in public relations—while it is constant, its application is always susceptible to change. It requires a keen sense of values and adherence to basic principles.

"Advertising, publicity, and sales promotion are important aids in the development of good public relations, but they are only the tools which help us call attention to the many things which insure good public relations. To enjoy good public relations, we must establish good internal relations, good customer relations, and, throughout our organization, a sincere desire to serve. We must have good operating procedures, provide the desired financial services, have attractive and inviting physical facilities, and take the necessary steps to tell people about them. When we tell people about them, we should take care to tell our story, whether by printed word or orally, in such a way that they feel that we are sincere—that we want to serve them and meet their needs. Of course, just telling the public isn't enough—we've got to demonstrate our desire to serve.

"Management must build more than sound financial policies and procedures—it must build people—people who are so sold on the bank that they want to help establish public confidence through superior service. Management should remember that people are not born with the knowledge required to sell—to use the telephone properly—to write personable letters—to handle customers tactfully and cheerfully. Only management can establish good internal relations and thereby build a team.

### Put House in Order

"After we have put our house in order and have taken the necessary steps to keep it that way, then and only then can we safely invite the public to do business with us.

"Banking, by its very nature, lends itself to good public relations. There is no question about the desirability of our product. The services we provide are wanted and necessary for the welfare of the individual, the community and the nation. Most merchants would pay a high price to have the accepted prestige and desirability of product which bankers generally have."

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# Government Bonds

(CONTINUED FROM PAGE 48)

contrasted with only 1.88 percent for the 3-year maturity of the previous Series A note.

These much more realistic yields, although somewhat less than available from comparable marketable short-term issues, have the advantage of being certain and will probably be popular for corporations who desire to avoid the slightest market risk. So far sales of the new notes have about balanced redemptions of the old. The threat of heavy redemptions should be greatly lessened.

### Refunding Problem for Rest of 1953

Maturities—other than Treasury bills—for the remaining six months of the calendar year total nearly $21.5-billion: nearly $3-billion on August 15, almost $8-billion on September 15, and $10.5-billion on December 1. Looking at these maturities a year ago, observers were talking of "rights values" and of the opportunity which the Treasury would have to extend maturities, thereby reducing the amount of short-term debt. Nothing of the sort is now thought at all probable and current comment goes to the extreme of wondering whether, almost irrespective of rate, anything longer than one year would be acceptable to holders of the maturing issues.

This attitude results from the realization that in addition to the $20.5-billion refinancing, perhaps $12-billion or more of new money will be needed by the Treasury. Of this amount perhaps $6-billion will be obtained from the sale of tax anticipation bills maturing in March and June of 1954, as was done last fall to the extent of $4.5-billion.

Just how all this can be obtained without recourse to the Federal Reserve portfolio is hard to visualize. In fact it is nearly certain that, if so large an amount of the shortest-term issues is to be added to what is already outstanding, some substantial part must be taken by the commercial banks, and the Federal Reserve will be forced to supply the reserves to enable them to do so.

### Open Market Committee Helps

Some evidence that the Open Market Committee might take such action was given during the month as the portfolio of the Federal Reserve banks was increased over $300,000,000 between April 29 and June 3. Of this increase, $265,000,000 was from the direct purchase of bills. The balance represented repurchase agreements with dealers. These purchases rose and fell from week to week as the tide of money flowed out from and into the money centers, and the dealers, in pursuance of their obligation to make markets, were either overloaded with bill holdings or successful in reducing their supply.

However, up to the end of May these Open Market Committee operations seemed to be undertaken merely to smooth out the rough spots in the money picture, with little or no relationship to the market prices of the intermediate and longer-term bonds.

### Sharp Market Decline Spurs Action

After declining moderately and with very little volume of trading for the first three weeks of May, the market for both intermediate and longer term bonds dropped sharply at the end of the month and on Monday, June 1. By the close of that day the longest term 2½ percent bonds 1972/67 had sold at less than 90 to yield over 3.20 percent to maturity. The new 3¼ percent bonds at 98½ gave a yield of over 3.30 percent. Even the 2¼ percent bonds 1962/59 had dropped to about 92¼ where the yield for about nine years was about 3.20 percent. For five years the yield was 3 percent for the 2½ percent bonds due 6/15/58.

In spite of the extent of the decline there was no marked increase in the volume of offerings. The price markdowns simply evidenced dealer reluctance to add to their already meager positions, which was quite understandable under the circumstances. Nevertheless, even quotations can show symptoms of disorder and the situation demanded some attention.

### Open Market Committee Takes Notice

This attention was provided when the Open Market Committee openly expressed willingness to buy Treasury bills and later was reported to have acquired some long-term bonds, the latter presumably either for Treasury investment or foreign accounts. Actual purchases were not large, but the gesture was sufficient, as the rest of the week, to June 5, prices were marked up from ⅜ for the 2¼ percent bonds 1962/59 to about ¾ for the longest 2½ percent issues. The 3¼ percent bonds 1983/78 at 99 11/32 were up about ¾ from their low point.

### Thinness of Market Evident

The rapidity of the markup in prices showed that the market was just as thin on the way up as on the way down. Some investment funds which had been confining their purchases to Treasury bills were reported to have put in orders for the longer-term issues. These orders could be filled only at rising costs. Bargain hunters exhausted the supply rapidly. After the sag and partial rebound, the market relapsed into indecision again.

## MAIN STREET (from p. 110)

ber of the Small Business Credit Commission and of the Farm Credit Committee of the Agricultural Commission.

Kanabec County is the seventh smallest of Minnesota's 87 counties and has an assessed valuation of less than $3-million. Kanabec State Bank has deposits of approximately $4-million.

FIRST NATIONAL BANK AND TRUST COMPANY, Tulsa, Oklahoma, had a booth at the recent International Oil Exposition. The bank offered free local phone service to the visitors, of whom 39,862 stopped at the booth. Some 10,000 took advantage of the free phone call offer, and just two placed long distance calls without paying for them (total $9.27) according to N. M. HULINGS, vice-president in charge of public relations.

FIRST WESTCHESTER NATIONAL BANK, New Rochelle, New York, has held a celebration for the formal opening of its new quarters in the railroad station there. The station branch was established 12 years ago, and has experienced a fivefold growth. ERNEST H. WATSON, the bank's president, is able to enter the new quarters. MR. WATSON, a gentleman of some stature, was unable to get through the tiny entrance to the original branch.

JOSEPH F. VERHELLE has resigned as president of City Bank, Detroit, but continues to serve as a director. JOHN H. FRENCH, JR., vice-president and secretary to the board, is acting as chief executive officer. He's a son of the bank's founder.

G. SEALY NEWELL has been elected a vice-president of The Hanover Bank, New York.

GRANVILLE S. CARREL has been advanced to vice-president at the National City Bank of New York.

G. S. Newell

G. S. Carrel

RICHARD W. TREFZ, president of the Arkansas Valley Bank, Pueblo, Colorado, died suddenly on June 2 in Heilbronn, Germany. He and his wife had been on an extended tour of Europe and he died while visiting the town of his birth.

He had been very active in the American Bankers Association. He was a member of the Country Bank Operations Commission from 1946 to 1952, and was chairman of the Commission from 1948 to 1952. He was a member of the Subcommittee on Consumer Credit of the Credit Policy Commission in 1943-44 and the succeeding Consumer Credit Committee from 1944 to 1946.

In 1948-49 he was a member of the Subcommittee on Agricultural Credit of the Committee on Federal Legislation; in 1951-52, a member of the Credit Inquiry Form Committee of the bank Management Commission; and in 1952-53, a member of the Research Council. He was a graduate of The Graduate School of Banking, Class of 1943, and was a special lecturer at the summer sessions of the school.

Mr. Trefz came to the United States in 1924 and entered the employ of the People's Bank, Hermann, Missouri, becoming assistant cashier in 1927. In 1931 he became president of the Security Bank, Rich Hill, Missouri, and in 1939, he became president of the Beatrice State Bank, Beatrice, Nebraska. In 1950 he founded the Arkansas Valley Bank, Pueblo, Colorado, and had since served as president of that institution.

Surviving are his wife, Erna S. Trefz, and two daughters, Ernamarie and Mrs. Eleanor T. Evans.

OSCAR WELLS, president in 1925 of the American Bankers Association, died on Memorial Day at his home in Birmingham, Alabama. He had been in ill health for some months, and because of this had retired recently as chairman of the board of the First National Bank of Birmingham.

Mr. Wells was a former governor and director of the Federal Reserve Bank of Dallas, was a director of the Louisville & Nashville Railroad, a director of the U. S. Fidelity & Guaranty Company, and was interested in numerous other concerns.

He was elected president of the American Bankers Association in 1925 and was treasurer of the United States Chamber of Commerce in 1931-32.

Mr. Wells was born in a log cabin in the Missouri River bottoms of Platte County, Missouri. He was left an orphan at the age of three and was reared by an uncle who was president of a small Missouri bank.

After two years in Bethany College in West Virginia, he embarked on a banking career. While still a young man he became president of the Bank of Edgerton, Missouri. Later he was associated with several banks in Texas.

He was an early proponent of the Federal Reserve System and later became governor and a director of the Federal Reserve Bank of Dallas. He served as president of the First National Bank of Birmingham from 1915 to 1930 when he became chairman of the board, in which capacity he continued until his resignation.

His wife is the only immediate relative surviving.

## The A.I.B.'s 51st

(CONTINUED FROM PAGE 100)

gram, with its varied courses, brought out activities and plans in four directions: orientation of beginners, skill training, supervisory training, and executive training for management succession. Six new textbooks, reported Dr. Leroy Lewis, the National Educational Director, were finished last year; six more are in preparation. Extension of the Institute's graduate facilities, along the lines of the Texas investments school last fall, is also projected. As Dr. Lewis said in his report, the A.I.B. has "campuses unlimited."

President Brenton's convention address pointed forward, too. "Our new Administration," he asserted, "says that the public is to be given frank information on basic problems and decisions that must be met. We are to be given the pros and cons fairly and honestly. But that is only half the story. To complete the cycle we, as citizens, must assume our responsibilities for knowing what to do with that information when we get it. We must study constantly, and work to inform ourselves and then exercise more of our prerogatives to make decisions." Mr. Brenton emphasized that "the dissemination of information in order to stimulate people to study and know more about economic problems is a definite task confronting all bankers."

IT'S difficult to end this story, BANKING. But you'll find other news in the pictures; and the type panel tells who was elected and who won what.

Once more, if you don't mind . . . that convention was a humdinger!

Next year? *Los Angeles!*

AIBfully,
JOHN COOLEY

★★★★★★★★★★★★★★★★★★★★★★★★★★★

*When you see this civilization survive, you wonder what happened to the old ones.*

The honeymoon is over when he discovers his pet lamb is a little bossy.

*Honesty is still the best policy, but some persons are satisfied with less than the best.*

# The Reds Broke Through

*Marine S/Sgt.*
*Archie Van Winkle*
*Medal of Honor*

ATTACKING IN DARKNESS, a superior Red force had smashed through B Company's defense line, near Sudong. Staff Sergeant (now Second Lieutenant) Van Winkle's platoon lay pinned under murderous fire. The entire Company faced destruction.

Passing a command through his platoon, the sergeant leaped from cover, led a desperate rush against the enemy. A bullet shattered his left elbow, but he kept going. The left-flank squad got separated. Sergeant Van Winkle dashed 40 yards through heavy fire to bring it in. An exploding grenade seriously wounded his chest. Still, lying on the ground, he continued to direct the fighting.

Finally he was evacuated, unconscious from loss of blood; but the breakthrough had been plugged, the Company saved.

"I found out firsthand," says Sergeant Van Winkle. "that the Reds respect only one thing—strength. But America has plenty, thanks to our armed forces who serve in the field—and good citizens at home who invest in our country's Defense Bonds! I believe in Bonds—as savings to protect my family and as strength to protect my country. I own them—and I hope you do, too!"

* * *

**Now E Bonds pay 3%!** Now, improved Series E Bonds start paying interest after 6 months. And average 3% interest, compounded semiannually when held to maturity. Also, all *maturing* E Bonds automatically *go on* earning—at the new rate—for 10 *more* years. Start investing in Series E Bonds through the Payroll Savings Plan; you can sign up to save as little as $2.00 a payday if you wish.

Peace is for the strong! For peace and prosperity save with U.S. Defense Bonds!

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# BUSINESS AIDS

*Each month this column will list recent acquisitions, including manufacturers' literature and other special announcements of interest to our readers—though no statement should be regarded as a product endorsement.*

*Copies of literature may be obtained by addressing requests to the company named, or to* BUSINESS AIDS EDITOR, BANKING, *105 West Adams Street, Chicago, Illinois.*


## Store Modernization

*The Magazine of Light,* published by the *Lamp Division of General Electric, Nela Park, Cleveland, Ohio,* carries in Volume 2 1953 an excellent illustrated story on store modernization—one of the current sources of business loans. Write the Lamp Division for a copy.

## Turnover

*The Growing Problem of Executive Turnover* is a new 16-page analysis of the problem, its underlying causes, and what can be done to solve it. The study is based on a review of 1,000 positions in 100 major companies and the turnover during two five-year periods, one prewar and one postwar. It is the latest of a series of research projects issued by *Boos-Allen & Hamilton, Management Consultants.* For a copy write the company at *Field Building, Chicago 3, Illinois.*

## Time Lock Calculator

A COPYRIGHTED calculator which can compute in a matter of seconds the exact time lock setting for any period—odd hours, holidays, weekends—is offered free by the *Herring-Hall-Marvin Safe Company of Hamilton, Ohio.* Complete instructions for its use is printed on the back of the calculator. Address the general sales manager.

## Microfilm Records

A DETAILED, 12-page management study on the indexing of microfilm record systems has just been completed and published by the *Flofilm Division, Diebold, Incorporated, Canton, Ohio.* It offers practical suggestions on adopting quick-reference indexing systems that suit individual needs. Write for a free copy.


## Flexowriter

*Commercial Controls Corporation of Rochester* announces a new *Model (FTM) Flexowriter.* The major advantage of this interoffice communication unit is that all (or any selected portion) of a message may be transmitted to a remote Flexowriter as a by-product of the preparation of the original document. A message can be sent to an unattended machine. The unit is also convertible to regular automatic correspondence typing when equipped with a tape punch and tape reader attachment. Literature is available.

## Maintenance Supplies

A HANDY new check list for maintenance supplies has been prepared by *Huntington Laboratories, Inc.,* of *Huntington, Indiana.* Spaces are provided for keeping complete inventories of stocks on hand for a wide variety of maintenance supply items. These check sheets are available on request from the company—no charge.

## Bookkeeping

A PORTFOLIO of pictures and descriptive information has been issued on *Remington Rand's* new low-cost bookkeeping machine. It tells of the applications for this new unit, and covers many facts about its particular features. The portfolio is ready for your request to the company's headquarters office: *315 Fourth Avenue, New York 10, N.Y.*

## Paperwork

*Copyflex Speeds Paperwork in Modern Banks* is the title of a new booklet describing the growing trend in the financial world to eliminate manual copying and thus avoid figure errors caused by transposition. The booklet outlines how this is accomplished in banks and trust companies, and covers other applications of Copyflex machines. For a copy write: *Charles Bruning Company, Inc., 4700 Montrose Avenue, Chicago 41, Illinois.*


YOU want, of course, to invest your mortgage money in homes that are well-constructed from the best materials—and you are assured of this in every Gunnison Home. You want good appearance, efficient design, and high resale value, and a Gunnison has these too.

But, besides these, there are *extra* advantages to investing in a mortgage on a Gunnison Home. Precision-factory construction insures predictable erection costs, without variation in material specifications or quality. The variety of elevations available means that each Gunnison can be individually suited to the needs of the home-owner or land evaluation. And you benefit, too, from the fact that Gunnison Homes, Inc. is an established company with many years' experience in the home-building industry.

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## BANKING'S ADVERTISERS

*JULY 1953*

# Business and Credit Outlook Generally Good

(Continued from page 38)

Interest rates will probably remain at approximately present levels, or increase slightly, assuming there is no appreciable change in open market operations or reserve requirements.

While the majority of those participating in the survey indicate that inventories are in balance, one indicated that in his opinion inventories are higher but probably not too high based on present sales volume.

In general, the over-all credit situation appears sound in this Federal Reserve District. In fact, in some trade areas the bankers are rather optimistic as to the future. Others indicate that this is the time for careful screening of all loans now on the books as well as all applications for new loans. There exist some situations that are requiring constant vigilance and expert attention.

## San Francisco Federal Reserve District (12)

Aside from normal seasonal factors, business prospects are generally good for the last half of 1953 in this Federal Reserve District. In California it was noted that moderately low farm income in some areas would have an adverse effect on certain types of activity and perhaps reduce sales of farm equipment. The petroleum industry should continue at a high level, as this area has been importing petroleum products to meet the demand. It appears, however, that there may be a stretching out in the production of aircraft, and some slackening likewise is expected in the building and appliance industries. Employment and department store sales are holding up well. The motion picture companies have been operating under adverse conditions for a considerable period of time. While a number of them have taken corrective steps, it is not likely that conditions within the industry will show any improvement during the next six months. Automobile dealers, particularly used car dealers, are experiencing greater difficulties in moving their inventories. Low down-payments, long terms, high trade-in allowances and discounts are being resorted to in order to move present stocks.

In the Arizona area, agriculture, the largest industry, is expected to be off approximately 20 percent this fall. Manufacturing has enough orders and momentum to keep going at record levels. Mining may taper off somewhat.

In Washington, the agricultural crops prospects are good, although there has been some decline in market prices. Retail trade is currently running ahead of last year, with no indication of a serious decline.

There has been some tightening of credit, and this is expected to continue through the last half of 1953. This tightening represents primarily a uniform adherence to specific terms and conditions with respect to instalment credit type loans and a more careful screening of loan applications in relation to credit worthiness. It might be considered as a definite trend towards more selectivity, eliminating weak lines and declination of marginal requests. One banker indicated that it might be interpreted as an upgrading of standards and rates. The demand for bank loans will be moderately greater during the last half of 1953 as compared with the last half of 1952. It is felt by some bankers that the momentum of business activities will continue to create this demand—for example, to finance larger inventories.

Because of the lower price level the demand for livestock feeder loans will represent a smaller dollar volume. This may be true in some other types of commodity loans and more cotton may move into the commodity loan program. The volume of term loans will continue its downward trend.

There has been some evidence of an increase in delinquencies in some retail receivables but not of serious proportions as yet. It was reported by one banker that increased requests are being received for extension of commercial borrowing with little or no reduction. It was reported in the Washington area that delinquencies on logging equipment and trucks were somewhat greater than a year ago. It was the consensus of the majority that while there might have been some slight increase in delinquencies, nevertheless it was not serious, and that moderately greater collection effort was needed.

Interest rates have increased in this Federal Reserve District since a year ago in keeping with the increase in the prime rate. Any further increase during the balance of the year will be relatively small, but there will be a firmer tone to the interest structure in all categories of loans.

The general inventory situation in this district is not unbalanced in relation to sales. Sales generally have been good and present volume demands heavy inventories which could easily tend to be high in the event of a business turndown. Some automobile dealers appear to have been forced to take cars in excess of their normal needs, creating an oversupply of their inventory. Used cars and farm machinery are reported in a heavy inventory position in certain areas.

The credit developments in the Federal Reserve District do not indicate a need for concern as to the soundness of the over-all credit picture. The attitude of lenders generally appears to be one of cautious optimism. The constant pressure, it was pointed out, for easier credit at the first sign of a sales lag is an unsound factor. This factor is very evident in the real estate market and should be watched. While believing that the present over-all credit situation was sound, nevertheless one banker indicated that, because of the increase in consumer debt, together with over-production of consumer goods, his bank has had to adopt a policy of more rigid scrutiny and selectivity of individual, as well as business, credits without sacrificing any support of sound credit needs.