

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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AUGUST, 1941

BANK ADVERTISING . . . COMMERCIAL TRUST FUNDS . . . BOOKS . . . CONSUMER CREDIT
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METHODS . . . DEFENSE ACTIVITIES . . . THE CHICAGO CONVENTION . . . LEGAL ANSWERS

Dear Mom:



Well, here it is another week-end and I'm not a General yet. But give me time.

Matter of fact, I have too much time on my hands—on evenings and weekends.

The nearest village is 5 miles away. All you find there is a general store, a garage and a canning factory—nowhere to go for any good clean fun, unless you drop in at a smoke-filled juke joint on the way.

Well, Mom, there's a big favor you can do me. The U. S. O. is trying to raise \$10,765,000 to run clubs for us, outside of camp. Places with lounge rooms, dance floors, games, writing rooms. Places you can get a bite to eat without paying a king's ransom.

I know you don't have an idle million lying around, but if you could get the family interested and some of the neighbors, and if that happened all over the country the U. S. O. could raise \$10,765,000 overnight.

I'd appreciate it a lot, Mom, and so would every other mother's son in the U. S. Army and Navy.

Love,
Bill

They're doing their bit for you. Will you do your bit for them? Send your contribution to your local U. S. O. Committee or to U. S. O., Empire State Building, New York, N. Y.

UNITED SERVICE ORGANIZATIONS

These organizations have joined forces to form the U. S. O.: the Y. M. C. A., National Catholic Community Service, Salvation Army, Y. W. C. A., Jewish Welfare Board, Not'l Travelers Aid Assn.

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U * S * O *

Just a Minute



CUSHING

Mid-Summer

"PLEASE GO through your files," we told the photograph man, "and pick out your No. 1 vacation picture. People are so busy this Summer that many vacations will be curtailed, postponed or skipped, and we want to do what we can toward compensating for the loss."

Well, the photographer declined to commit himself. He brought in a display of "scenics" that took this department on a desk-top tour ranging from Gloucester, Massachusetts, to the Inland Empire of the Northwest and (here we come, California) the sunny slopes of the State Nobody Forgets.

The picking really got very tough, but finally provincialism (or was it New England conscience?) triumphed and the choice was a bit of trout water in Connecticut's Saugatuck River.

This month

TWO PARTICULARLY timely articles appear in this issue of BANKING. First, you'll find (page 19) a question and answer discussion of the Treasury's new tax savings plan—the notes that can be

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BANKING

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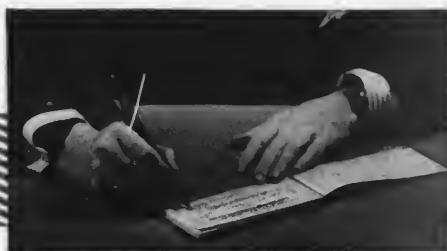
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LA MONTE *Safety* PAPER

GEORGE LA MONTE & SON
 HUNTERDON, N. J.



JUST A MINUTE—Continued

applied to next year's income tax payments.

And on page 24 is "Control of Foreign Funds", wherein E. H. Foley, Jr., general counsel of the Treasury, and J. W. Pehle discuss authoritatively that perplexing subject, "freezing." Mr. Pehle is administrator of the control of the frigid seven billions. His title is Assistant to the Secretary of the Treasury.

Next Month

Now WE'RE going to talk about next month for a minute or two.

The September magazine is to be our annual splurge—you know, the Year Book.

It's being built around the theme of bank services: what they are, the market for them, their effective merchandising. Also, in a combination of picture and text we will survey the past year and perhaps essay a bit of brazen forecasting.

And as usual the issue will contain special features on the 67th annual convention of the American Bankers Association, to be held in Chicago, September 28-October 2.

Business-Is-Booming Department

As WE'VE mentioned before, each month BANKING asks bank directors in various parts of the country: "How's business?"

A. W. MEIER of Van Buren, Arkansas, proprietor of a drugstore, not only answered that business was getting better, but demonstrated its good health with some pictures. Surely Mother Earth works overtime in the home town of Bob Burns!

Sorry, but there's room for only one of Director MEIER's "Now-you-tell-one" photos.

Was-Our-Face-Red Department

IT REALLY was red last month when we saw that under the picture of Minnesota A.B.A. membership workers (page 94) the caption proclaimed "Here are 11 of the A.I.B. membership workers," etc. It was just one of those things.

And then there was the letter from BERNARD C. LONG, president of Anthracite Chapter, American Institute of Banking, at Pottsville, Pennsylvania. Mr. LONG thanked us for publishing in the June issue a picture of his chapter's forum dinner meeting. He added:

"However," (and here's the rub) "I feel badly that I must call attention to the fact that you stated the meeting to have been held in Pottstown, whereas it was held in Pottsville. This same error was made in the November 1940 issue when you exhibited a copy of the cover of the June issue of Anthracitem, our chapter publication."

We felt better when we read Mr. LONG's concluding assurance of "continued goodwill and support"; and we immediately held an emergency meeting of the staff anent the subject of Pottsville vs. Pottstown.

The decision was that inasmuch as it was too late to change the name of Pottsville, we'd be the ones to do the changing.

The \$

YOUR HUMBLE servant, the dollar, leads an exciting life. It is earned, saved, pinched, stretched, hoarded, loaned, (CONTINUED ON PAGE 5)

Page the AAA!



August 1941

SPECIALISTS IN

UNITED STATES GOVERNMENT SECURITIES

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OTHER AGENCY ISSUES
TERRITORIAL AND
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JUST A MINUTE—Continued

borrowed, donated, buried at Fort Knox and West Point, devalued, and put through other acrobatics incident to the mighty mathematics of government finance.

Its endurance has been severely tested in the past, and no doubt will be again. It is a glutton for hard work, if not for punishment. Impartially it measures our successes and our failures, our wealth and our indebtedness.

All of which is prefatory to mentioning our algebraically-titled article "Let X = \$1" starting on page 19. Mr. BRATTER is thoroughly at home with a monetary subject and does an interesting job of recording the dollar's past, present and prospects.

The Defense Bonds

THIS MONTH we print another four-page picture story covering the promotion and sale of United States Savings Bonds and Stamps by banking institutions. The banks' aggressive participation in the marketing of these securities to the public is strikingly reflected in the lobby and window space they are devoting to promotional material.

Good Neighborliness

TUCKED AWAY in the April issue was a note about the 50th anniversary of The American Bank of Port Clinton, Ohio.

Down in Lima, Peru, somebody in the Banco Italiano Lima read the item and wrote this letter to the Port Clinton bank:

"We read with pleasure in 'Bank' [sic] that your institution recently celebrated its 50th anniversary. We

"Don't worry in there, Rollins—We're allowing you time and a half overtime!"



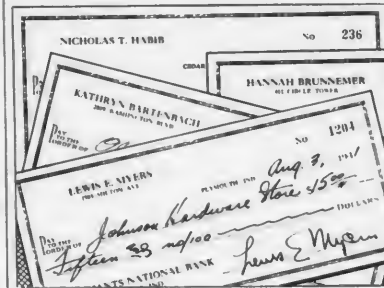
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DES HINES SUNDAY REGISTER

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NEW YORK CLEVELAND CHICAGO
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Complete Banking and Trust Service

Statement of Condition, June 30, 1941

RESOURCES

Cash on Hand and Due from Other Banks		\$268,361,785.20
United States Government Obligations, direct and/or fully guaranteed		268,699,997.66
Other Securities		50,401,919.55
Stock in Federal Reserve Bank		772,500.00
Loans:		
Loans and Discounts	\$ 92,335,398.08	
Real Estate Mortgages	15,895,314.98	
Overdrafts	74,208.60	108,304,921.66
Branch Buildings and Leasehold Improvements		989,749.36
Other Real Estate		3,212.75
Accrued Income Receivable—Net		1,536,548.25
Prepaid Expense		690,560.51
Customers' Liability Account of Acceptances and Letters of Credit		1,689,187.01
TOTAL RESOURCES		<u>\$701,450,381.95</u>

LIABILITIES

Deposits:		
Commercial, Bank and Savings	\$584,553,036.91	
U. S. Government	15,520,941.72	
Treasurer, State of Michigan	12,943,463.31	
Other Public Deposits	50,082,922.65	\$663,100,364.59
Capital Account:		
Preferred Stock (358,475 shares)	8,961,875.00	
Common Stock (825,000 shares)	8,250,000.00	
Surplus	8,538,125.00	
Undivided Profits	7,219,508.49	
Reserve for Retirement of Preferred Stock	1,262,648.45	34,232,156.94
Reserve for Common Stock Dividend No. 14, payable August 1, 1941		412,500.00
Reserves		2,016,173.41
Our Liability Account of Acceptances and Letters of Credit		1,689,187.01
TOTAL LIABILITIES		<u>\$701,450,381.95</u>

United States Government securities carried at \$62,275,543.94 in the foregoing statement are pledged to secure public and trust deposits and for other purposes required by law.

DIRECTORS

HENRY E. BODMAN	JOHN B. FORD, JR.	WALTER S. McLUCAS
ALBERT BRADLEY	JAMES S. HOLDEN	PETER J. MONAGHAN
FRED J. FISHER	JAMES INGLIS	R. PERRY SHORTS
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hasten to congratulate you on this fine record and add our best wishes for continued future success.

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A Message from Killdeer

"HERE," wrote LEO D. HARRIS of Killdeer, North Dakota, "are two of the early pioneer cowboys of North Dakota."

He was referring to a photograph enclosed, which we reproduce here.



"Mr. RASMUS JENSEN, president of the Bank of Killdeer," wrote Correspondent HARRIS, "and Mr. WILLIAM CONNOLLY, vice-president of the bank, are pioneer ranchers and cowboys. Both have large herds of whiteface cattle.

"On the Fourth of July these two bankers were deeply interested spectators at the Killdeer Mountain rodeo, where the picture was taken."

Minus Jobs at Forty Plus

AS YOU may know, the Forty Plus Clubs are cooperative placement organizations of American citizens over 40 years of age. Their members have held executive positions paying more than \$4,000 a year. The primary object of the clubs is to find employment for the Forty Plusers.

Forty-three per cent of the members are now in their 40's and another 40 per cent in their 50's. About 48 per cent went to college and 30 per cent got degrees.

"Although they are continually find-

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ing jobs for their members, the clubs are not employment agencies," says a circular letter. "Neither members nor employers pay fees for services. The clubs are self-supporting groups of highly trained men standing on their own feet, financing themselves, soliciting no funds. They have as their main purpose the breaking down of arbitrary age limitations set up by many business and industrial employment policies.

"The chief aim of the organization is to place seasoned men, who are adaptable and can be molded quickly to meet the employer's needs—men who have the balance which comes only with experience, and the common-sense judgment and executive ability of middle age. It has been found that men of this caliber are making excellent replacements for others who have been drafted into the national defense program."

There are Forty Plus Clubs, we are told, in nearly 40 American cities.

Non-Defense Expenditures

BANKERS WHO are concerned with the tax implications of the rising tide of Federal appropriations will be interested in the new Citizens' Emergency Committee on Non-Defense Expenditures announced by the chairman, Dr. Henry M. Wriston, president of Brown University.

Comprising college presidents, tax authorities, economists and leading citizens from 32 states, the committee will investigate the possibilities for reductions in non-defense federal expenditures as an offset to defense costs. It will also assist Congress and other public officials in making such reductions.

Among the prominent men listed as members of the committee is Tom K. Smith, president, Boatmen's National Bank, St. Louis, and former president, American Bankers Association.

Ask Our Indians



THOMAS FROM ASSOCIATED NEWS PAPERS

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The Condition of BUSINESS

THE OUTLOOK. Half a dozen factors stand out rather prominently in the general business outlook. They have to do with a variety of things but all seem to have one common denominator in the steadily increasing control by government agencies of prices, transportation details, production schedules and even labor. They all point to a greater degree of what was once plainly recognized as socialism, public management of industry and production for use, and the only thing to do about it is hope earnestly that the expanding personal powers of those in authority will be used with intelligence and fairness.

OKAY. There is strikingly little opposition from any quarter to this trend, because of a belief that it is all for the best, temporary of course, and resembles what was done in 1917 and 1918.

The resemblance, in one respect, at least, is more apparent than real. At the time of the previous war emergency government agencies acquired extraordinary powers but then they had only the one objective of defense. Today there is in addition a desire on the part of some officials and their assistants to propagate a new social program along with defense, to make hay while the sun shines.

Anyway, here are the six factors, each fairly distinct from the other, yet adding up to greater control from Washington of every detail of our economic life.

1. Prices Are Going Up. For three reasons it seems inescapable that the price level will go considerably higher. One is the general policy of leniency toward labor which characterizes almost all decisions of government agencies. Wages in many defense industries, particularly those most definitely under the Government's thumb, have already reached heights that upset the balance of wage payments in the surrounding areas.

A second reason is that the new taxes, however stiff, will fail in their purpose of pulling back to the Treasury some of the defense billions because the dough will be collected mainly from people who are not receiving the defense dollars. Several millions of individuals who are getting higher incomes than heretofore will contribute only a minor part of it to taxes. They are buying things with their additional dollars and are they having fun.

A third reason is the fact that price control authorities will be deterred by various social considerations and conscientious political objectors from using the necessary clamps. By the time it is discovered that you can't manage prices without managing everything that goes into prices the sails will be hard to reef.

While prices cannot be allowed to run wild, and public opinion will support whatever powers are needed to prevent inflation, a substantial rise is likely to occur before the authorities can get squared around.

2. Public Is Cynical Toward Debt. The public's attitude toward the public debt is one of constantly greater indifference. Certain organized groups are working valiantly for economy but the belief that the deficits will

be taken care of some day, somehow, somewhere by some kind of hocus pocus is very common today in all walks of life. This is a fact that anyone can quickly verify by a little Gallup of his own and the only possible direction of such a trend is hell bent, bag and baggage, for more centralized control.

3. More Government Financing. The direct and indirect financial interest of the Government and its agencies in business of all kinds is growing faster than is generally realized. The change is occurring through construction of defense plants, financing of industrial units, large scale housing projects and in various other ways. Whether the Government builds and operates a project, hires a private company to run it or simply acts as banker it is all one ball of wax. After the war the Government will be responsible for a prodigious number of plants and men.

4. Priorities and Production. The nation's industrial output will go more and more on a wartime basis. All enterprise, large and small, defense and non-defense, will be subject to priorities, industry-wide mandatory control, project ratings, limited blanket ratings, individual preference ratings, inventory control and defense supplies ratings. These will be enforceable by some means or other because there are more ways than one to skin a rabbit. In order to be effective the control of prices, priorities and all details of production must approach closer and closer to "do this" and "do that."

5. Taxes Are Still Unpopular. Taxes will go higher but the amounts obtained by borrowing will rise at a much faster clip. Buying a bond is still less painful than paying a tax and in our present frame of mind we are bound to take the easy way. By the time enough people wake up the process of tax paying and bond buying may become so much alike that nobody can tell them apart. The sale of tax anticipation bonds is a straw in the wind.

6. Profits and Money Rates. Finally, there is the downward trend in the wage scale that capital is able to command. This is evident both in the chronic low level of interest and in the failure of business profits to rise with the vast increase in volume of trade and industry.

CROSS INDEX. BANKING'S *cross index*, based on a poll of 3,000 bank directors and presidents in all parts of the United States, shows a slight leveling off. Seventy-nine per cent of those polled said the volume of business activity was increasing; this compares with 80 per cent last month. The percentage reporting conditions as static was 18 compared with 16 per cent a month ago, while 3 per cent noted a decline as against 4 per cent the previous month.

The composite *cross index* figure for this month is 96 compared with 95.

There was no change in the percentage (82) of directors who reported that business improvement was due to the defense program, but 28 per cent of the bankers said increased loan activity was traceable to that source, compared with 34 per cent last month.

WILLIAM R. KUHN



The National Prospect



These Washington observations are reported for BANKING by HERBERT M. BRATTER.

Washington, D. C.

Government spending

NOTWITHSTANDING THE gathering momentum of the defense program, the Government's net monthly contribution to national buying power continued fairly steady during the first five months of 1941. Following are some comparative figures, in millions of dollars:

1940, average	332
1940, December	586
1941, January	668
February	416
March (p)	608
April (p)	533
May (p)	651

(p) preliminary

Placed on file

THE SENATE Banking and Currency Committee held perfunctory hearings on the bill to review the President's emergency monetary powers. Apart from the Secretary of the Treasury, only three witnesses were questioned. Following is a typical passage from the interrogation of Mr. Morgenthau:

Senator Ball: Mr. Secretary, I feel, as the Senator from Colorado says, that the continuation of the power to devalue the dollar is causing considerable uneasiness in the country, and I cannot conceive of any possible situation arising in the next two years where the exercise of the power will be necessary. . . .

Mr. Morgenthau: I personally am not aware of any uneasiness, if you do not mind

my saying so. Certainly my correspondence does not show it.

Senator Ball: Mine does.

Mr. Morgenthau: I would be glad to see it if you cared to show it to me. I do not know whether it comes from bankers in your State or from the farmers.

Senator Ball: It comes from people who want to invest in Defense Bonds, and they are a little worried about this power. . . .

Mr. Morgenthau: If you do not mind my differing with you, I do not think that the great majority of the people are worried about the President having this power. I think those people that have made him President three times have got confidence in him and are willing to let him have this power again. I think it is a part of the whole picture, these very unusual powers that he has and has to have to meet this crisis.

Senator Taft: Have you any correspondence to show that anybody wants these powers continued?

Mr. Morgenthau: I would have to look it up.

Fahey suggests modernization

SUGGESTING REHABILITATION modernization of essentially sound but sub-standard structures as the speediest and least expensive way to help meet defense housing needs, John H. Fahey, chairman of the Federal Home Loan Bank Board, advocated two specific steps:

1. The improvement by individual owners and mortgage institutions of the vast number of houses either unused or not being utilized to their full capacity.
2. Increased activity of civic groups and associations to improve and make available for purchase and rent the neglected housing in entire neighborhoods.

Plenty of Rubber

THE OPM says: There is no reason why the public should become alarmed about tire or other rubber products and try to lay in a reserve supply. There is plenty of crude rubber in this country and we are continuing to import it at a higher rate than ever before. The only reason consumption has been restricted is to permit the Government to build up more rapidly an adequate reserve stock.

"Ample funds are available for any sound rehabilitation project," Mr. Fahey said. "The institutions of the bank system alone have assets of some \$5,000,000,000 and access to a great credit reserve, and they operate in every county in the United States."

Yes, we have no bonanzas

BUT WE have some Defense Savings Bonds today.

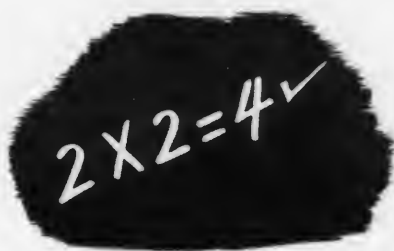
Irving Berlin's song, "Any Bonds Today?" started off the CBS series of Wednesday evening Treasury hour programs. Exhibited in the park facing the Commerce Department and Pennsylvania Avenue, Washington, is an Airacobra and other armaments being manufactured for the United States and Great Britain. Price tags on each weapon show the direct relationship between purchases of bonds and stamps and national defense.

(CONTINUED ON PAGE 12)

Employees of the Army and Navy Departments in Washington call it a day



HARRIS & EWING PHOTOS
BANKING



FACTS

Sound tax plans cannot be formulated on the basis of newspaper stories, publicity releases, magazine articles, news letters, special interest propaganda, and similar incomplete or biased material.

When it comes to federal tax matters particularly, it is essential to have *facts*.

With an extensive rebuilding of the federal tax structure under way, the sound, the prudent thing to do is to follow each twist and turn of events, to watch each step in the evolution of the new law from the very beginning.

Subscribers for the loose leaf CCH *Standard Federal Tax Service*—the swift, complete, and dependable reporter on federal taxation—are quickly informed on all important new federal tax developments, as they “break.”

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P lan versus chance

"Your mail, sir."

The guest-arrival, who hasn't even reached his room, mutters a thank you—somewhat startled with this kind of service.

Did this just happen by chance? Was this purely coincidental?

Indeed not. It was planned that way—The Stevens Way—and is only one of many services that this great, friendly Hotel renders to guests . . .

For when a guest registers (or if, as an A. B. A. Convention Delegate, he has already "pre-registered"), an arrival slip is rushed to the mail department. Here a tube system carries the mail to the room clerk on the registrant's own floor where the guest receives his mail before he reaches his room.

It's a quick, business-like way of carrying out a vital service . . . wholly in keeping with The Stevens pattern.

Reputations are built not on the random shot of chance but on *plan, design, purpose* . . . and these are the foundation posts of **The Stevens Way**.

THE Stevens
CHICAGO

JOSEPH P. BINNS
General Manager



NATIONAL PROSPECT—Cont.

Advertising cooperation

IN ADDITION to free advertisements intended to aid the Treasury's sale of Defense Bonds, a new contribution of the press is the "Defense Bond Quiz". To 11,000 weekly publications the defense savings staff has sent a series of four brief quizzes and a preliminary announcement, with a covering letter asking their weekly publication in the news columns. To 900 foreign-language and 1,500 other dailies the Treasury has similarly sent a series of 13 quizzes.

Title VI loans made

ACTING UNDER Title VI of the National Housing Act, the President approved 30 new localities in which moderately priced homes may be financed under the liberalized FHA insurance provision.



Charles B. Henderson, above, has been appointed chairman of the R. F. C. He succeeds Emil Schram who resigned to become president of the New York Stock Exchange

Dr. Beckhart testifies

TESTIFYING BEFORE the Senate Banking Committee on the bill to renew the emergency monetary powers, Dr. B. H. Beckhart of the Chase National Bank declared that elimination of the devaluation power would give confidence to American investors in the future purchasing power of their currency and, in consequence, would increase the genuine investment demand for Government obligations.

"The basis of any appeal to the American people to buy Savings Bonds should be the adoption of and adherence to sound monetary policy," Dr.



FLY to CHICAGO for the A. B. A. CONVENTION Sept. 28—Oct. 2

United Air Lines' Mainliners enable you to leave for Chicago later, be back at your desk sooner. United offers fast, frequent service from eastern cities; scenic daylight and thru Mainliner overnight sleeper flights from every major Pacific Coast city, over the cool central Main Line Airway.

Mainliner Time to Chicago from:

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PORTLAND.....	12½ HOURS
SEATTLE.....	13¾ HOURS

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BANKING

Beckhart said. "Otherwise, investors will have no assurance but that the funds saved and placed in Savings Bonds will be dissipated later by price increases. It seems to me highly inconsistent for the Government, on the one hand, to recommend the continuation of these particular powers, and, on the other hand, to endeavor to sell Savings Bonds to the American people."

Treasury reports for 1940-41

FINANCIAL OPERATIONS of the Government for the fiscal year 1941 showed an increase of \$2,220,000,000 in receipts and \$3,712,000,000 in expenditures over 1939-40. Total receipts for 1941—excluding Social Security employment taxes of \$661,000,000 appropriated to Federal old-age and survivors insurance trust fund—amounted to \$7,607,000,000, as compared with \$5,387,000,000 in 1940. Total expenditures, exclusive of debt retirements, were \$12,710,000,000 as compared with \$8,998,000,000 in 1940. The net deficit (excluding debt retirements) for 1940-41 was \$5,103,000,000, as compared with \$3,611,000,000 for 1939-40.



CHRYSLER FROM OEM

Making 75 millimeter shells in one of the Chrysler Corporation plants

Prior-priority

BECAUSE THERE are degrees of "must", OPM's Priorities Division has devised ways to distinguish between competing machine tool orders. Chief instrument for the purpose is a Master Preference Numerical List. Hereafter, as between two buyers of machine tools, each with the same rating—e.g. A-1-a—the one who is also on the master preference numerical list gets priority. What happens when both are on the master list is unpredictable.

August 1941



CANADA

WELCOMES YOU

Travel North to Canada this year for a memorable vacation. You may cross the border and return home again as easily as in peace time. Your money goes further too—you receive a premium on every American dollar you spend or exchange in the Dominion.

Use the facilities of The Royal Bank of Canada

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GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUXHALL and other

foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.

GENERAL
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INSTALMENT
PLAN

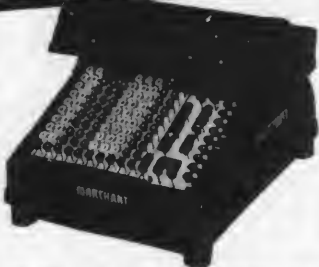
These NOTES are available, in limited amounts, upon request.

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In scores of Defense industries, Marchant calculators keep figure-work production rolling on time and even ahead of schedule!

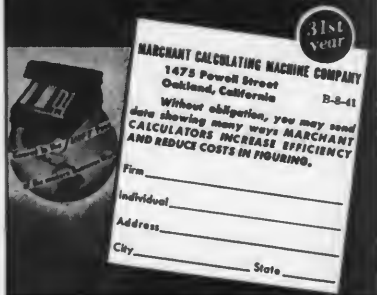
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Sales Agencies and Manufacturer's Service Stations in All Principal Cities Give Service Everywhere!



Henderson on price control

CONCLUDING HIS testimony before the House Appropriations subcommittee, Leon Henderson said:—

"I do not believe that you can keep a rigid price control in any country without complete control over all the elements of cost. I believe that within the American framework you can keep a stability of prices and a relationship of prices by utilizing these methods that I have outlined. I believe we will have an increase in the price level. It would be almost miraculous—it would be miraculous—if the price level and the cost of living did not go up. We have examined into the price-control mechanisms of England, Germany, Japan, and Canada, and we know that the thing to be sought is price stability and not rigid control."

Silver-lined cans?

IN VIEW of the shortage of tin, the Government should give serious attention to the possibilities of using some of the tons of idle silver held in the Treasury's "general fund." The American Silver Producers Research Project, after lengthy experiments, last year concluded that "the container field for new uses for silver . . . is enormous." This is only one of many possibilities of silver, if only the Government will cease supporting the price of the metal.

Individual mortgagee is passing

THE NEIGHBORHOOD capitalist, who used to hold mortgages on homes down the street, is passing into history because financial institutions, with their low-cost modernized loan plans and specialized services for the home seeker, are gradually putting him out of business, the Federal Home Loan Bank Board reports.

"The trend is away from individualism," it says. "The small investor increasingly brings his funds to savings and loan associations, banks and insurance companies which specialize in reinvestment. He does not attempt to select his own investments. In the old days of smaller communities and closer neighborhoods, the small capitalist knew his neighbors and their properties and could safely and profitably place his own mortgages. Today he finds it wiser to go to the specialist. His funds go into a pool to be invested in many mortgages, instead of one. Recently

PAPER IS YOUR LIFE BLOOD



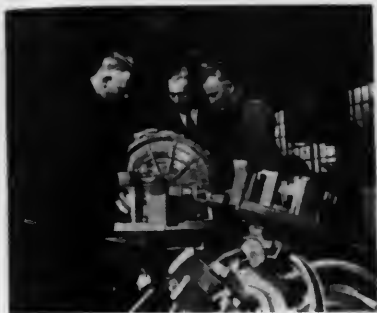
No bank could do without its vital supply of paper. For those important records and forms subjected to severe handling or the wear of time, use papers best built for the job.

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created Government safeguards for financial institutions have further encouraged the movement away from the individually chosen investment."



OEM DEFENSE PHOTO BY PALMER

Inspecting a crank case blower of an airplane engine in the Ford River Rouge plant

Defense research revamped

OSRD, the Office of Scientific Research and Development, was created by the President as part of OEM. Headed by Dr. Vannevar Bush, OSRD includes the old National Defense Research Committee.

Steel requirements

How STEEL requirements exceed capacity is shown by Gano Dunn's OPM figures for 1942 (in millions of net tons).

Military requirements	13.8
Export requirements	10.3
Civilian requirements	73.4
Total requirements	97.5
Estimated capacity, end of 1941	91.1

Jones tightens instalment terms

THE ELECTRIC Home and Farm Authority notified cooperating utilities and appliance merchants that effective July 7, 1941, instalment terms for financing the purchase of domestic and farm electrical and gas appliances through EH&FA would be changed. Down payment requirements were increased from 5 and 10 per cent, to 10 and 15 per cent of the retail price of appliances. Maximum maturities are lowered to periods ranging from 12 to 30 months for individual transactions and from 18 to 36 months for combination sales.

It is the Authority's policy to restrict terms during periods of increasing economic activity and to liberalize them during periods of stress. The Authority hopes that its action will contribute to the success of the national defense program, by causing the diversion of materials and labor to defense production.

August 1941

INTERBANK deposits and balances are the basis upon which the cost accountant appraises income against which service costs are charged in analysis.

But interbank relationships have a tangible value not included in the expert's figures of profit and loss. Without this well-established system of mutual service and understanding, our whole American banking structure would lose something of its distinctive character and much of its efficiency.

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★ BOOKS ★

FOR THESE TIMES

Walter Savage Landor remarked: "He who first praises a book becomingly is next in merit to the author."

We don't attempt thus to acquire merit, but we do try to report briefly on new books which we think will interest our readers. Furthermore, we offer to send you, at the publisher's price, the book (or books) you feel you can't get along without. A check to BANKING, 22 East 40th Street, and the name of the book (or books), will do the trick.

PROCEEDINGS OF THE CONSUMER CREDIT CONFERENCE. American Bankers Association. 232 pp. \$2.50.

IN this record of the first A.B.A. national conference on consumer credit the banker will find ideas for better operating methods, improved procedures, and more effective advertising and promotional techniques. The speakers at the St. Louis meetings last April were well qualified and their coverage of the subject was thorough. In addition to the proceedings, this book contains the A.B.A.'s new Consumer Credit Creed, the recently adopted Standards of Practice for Consumer Credit and Recommended Terms for Sales Financing, a list of registrants and exhibitors at the conference, and the program.

MARKETING USED AUTOMOBILES. By *Theodore H. Smith*. Bureau of Business Research, Ohio State University, Columbus. 290 pp. \$3.

DR. SMITH presents what is described as "the first book to deal exclusively and comprehensively with the used car problem." The author, professor of marketing at Fenn College, Cleveland, summarizes and critically analyzes all significant aspects of the subject, including its history; the basic economic and business factors that bear on supply, demand and price of used cars; methods of acquisition, inventory control and sales promotion; and practice in financing automobile sales. Forty-five statistical tables and 10 charts help make this a valuable book for bankers and others interested in motor car finance.

NAZI EUROPE AND WORLD TRADE. By *Cleona Lewis*. Brookings Institution, Washington, D. C. 194 pp. \$2.

HERE is a thorough-going, clear analysis of the trade problems confronting states controlled by Germany. Considering this area as a single country, Miss Lewis and her research associates made a close study of the area's trade position in two favorable years—1929 and 1937. The factual findings demonstrate some of the limitations that face future trade and production in the territory as now constituted. Import requirements of Nazi Europe, says Miss Lewis, "are so large and so varied that she is scarcely in a position to buy or refrain from buying at will. Her ex-

ports are wanted, but are not indispensable. Barring the use of force, her position in world markets will be as weak or as strong as her capacity to pay for the goods she needs. Clearly this is an issue whose outcome cannot be dictated entirely by Nazi Europe."

MEN OF WEALTH. By *John T. Flynn*. Simon & Schuster, New York. 532 pp. \$3.75.

MR. FLYNN tells the stories of "twelve significant fortunes" dating from the Renaissance to the present. He begins with Joseph Fugger and finishes with the elder Morgan. The Rothschilds, Hetty Green, Zaharoff, Rockefeller, Cornelius Vanderbilt, the Mitsuis, Robert Owen, John Law, Cecil Rhodes and Mark Hanna are others. Crisp and colorful, the essays—for such they really are—endeavor to interpret these personages in the light of their times and their contributions to history. For the most part it's lively reading, though by no means is everything sweet and light.

RESIDENTIAL REAL ESTATE. By *David L. Wickens*. National Bureau of Economic Research, New York. 300 pp. \$3.50.

THIS extensive study considers the economic position of residential real estate, as shown by values, rents, family incomes, financing and construction. Also, there are estimates for all real estate. Supplying a wealth of data in some 150 statistical tables and a detailed description of the computation methods used, the book makes available information on values of urban residential properties, the relation of these values to mortgage debts, current rentals, construction, occupants' incomes, obsolescence rates, financing terms and sources of funds. Much of the material is of interest to banks that make real estate loans.

BOOKS RECEIVED

MONEY AND BANKING TODAY. By *Eugene E. Agger*. Reynal & Hitchcock, New York. 749 pp. \$3. A new text by the professor of economics at Rutgers and the associate director of The Graduate School of Banking.

THE BUSINESS CORPORATION. By *Edward S. Mead*, *David B. Jeremiah*, and *William E. Warrington*. D. Appleton-Century, New York. 659 pp. \$4. Changes in corporate structure, practice and regulation in the last 10 years are emphasized. The authors are faculty members of the Wharton School.

CREDIT UNION NORTH AMERICA. By *Roy F. Bergengren*. Southern Publishers, Inc., Kingsport, Tenn. 361 pp. \$2. The progress of cooperative credit in the United States and Canada.

APPLIED BUSINESS FINANCE. By *Edmond E. Lincoln*. McGraw-Hill, New York. 930 pp. \$4.50. Fifth edition, enlarged and revised.

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Banks bought more new Burroughs machines in the first six months of 1941 than in the same period of 1940 (and 1940 was the highest in a decade).

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It is significant that banks are letting their confidence in Burroughs machines, men and methods guide them in meeting today's changing conditions.

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JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

AUGUST 1941

The Tax Savings Plan

An innovation in Government finance is the issuance of the tax anticipation notes for individuals and corporations. Banks are to take an important part in selling these securities beginning August 1. The following description of the new notes is based directly on a Treasury announcement.

To facilitate payment of the increased taxes required by the national defense program, the Treasury Department is offering for sale two series of notes, both dated August 1, 1941, and maturing August 1, 1943.

On January 1 of each year hereafter, two new series

will be provided so that a taxpayer can always purchase notes during the entire year in which he is receiving his income for use in payment of taxes due the following year. Thus a taxpayer, if he so desires, can begin saving in January of one year for taxes due the following year.

All notes are sold at par and accrued interest. When presented in payment of income taxes they will be received at par and accrued interest up to and including the month in which such taxes are paid. Interest will not accrue beyond the maturity of the notes. If not presented in payment of income taxes, they will be redeemed for cash under certain specified conditions (see page 21) at the purchase price paid for the notes. In other

The United States Treasury



August 1941

EWING GALLOWAY
19

Public Warned To Expect Jolt in Taxes for 1942

Experts Cite State Income Levies and See Burden Heavier Than Anticipated

WASHINGTON, July 11 (AP).—Treasury experts, giving a thought to the many state taxes, warned today that the jolt of next year's income taxes is going to be heavier than many people have anticipated.

For instance, assuming enactment of the new Federal income tax program along the lines planned by the House Ways and Means Committee, a married man with one child and a \$10,000 taxable income will owe Uncle Sam \$1,116.

But if this man lived in New York he would have to add on about \$260 for the New York income tax, and his total bill for income taxes would be \$1,376. In California, he'd add \$92, in Missouri \$165 and in North Carolina \$348.

These figures are not necessarily typical, but thirty-one states have individual income taxes similar to the Federal levy. Besides income taxes, of course, both state and Federal governments have a multiplicity of tobacco, liquor, sales, estate and other taxes.

One reason the state income taxes will make a heavy addition to the Federal tax in many cases is that some states do not permit their citizens to make deductions for their Federal taxes, although the Federal government gives a credit for state income taxes. Of the four states used as examples in this article, only Missouri gives a credit for Federal income tax.

The state income taxes weigh more or less heavily, depending on income brackets. Thus, the New York tax has a maximum rate of 7 per cent, while the California tax runs up to a maximum of 15 per cent.

But in California, the tax on the first \$5,000 of income is only 1 per cent, while in North Carolina the rate on the first \$2,000 is 3 per cent.

At present the proposed Federal income tax would be a 4 per cent "normal" tax, plus an immediate "surtax" of from 5 to 75 per cent, plus a defense tax equal to 10 per cent of the normal and surtax rates.

If the examples were tested on a married man with one child and an income of only \$2,500, his Federal tax would be \$5.50, plus state taxes of \$3 in Missouri and \$9 in North Carolina. His personal and family exemptions would be enough to escape the New York and California taxes.

words, the taxpayer, if he redeems the notes for cash, gets back just the amount he paid.

THE following questions and answers, prepared by the Treasury, tell the story.

Q. Just what is the Treasury Department's Tax Saving Plan?

A. It is a plan starting August 1, 1941 to help the taxpayer set aside money, during the year in which earned, to pay income tax bills due the next year.

Q. How does the plan operate?

A. By the taxpayer purchasing the special notes offered by the Treasury Department to be used in payment of Federal income taxes.

Q. What are these notes?

A. They are direct obligations of the United States issued in the form of Treasury notes and are dated in the month in which payment is received.

Q. Where may these notes be purchased?

A. Through local banks, from Federal Reserve banks, their branches, or direct from the Treasury Department, Washington, D. C.

Q. How much do they cost?

A. The purchase price during each month is shown in the tables on page 21.

Q. Do these Tax Savings notes earn interest?

A. Yes, provided they are used to pay income taxes.

Q. How much interest do these notes earn?

A. Series A earn about 1.92 per cent a year; Series B notes about 0.48 per cent a year.

Q. How is the interest figured?

A. By specified monthly amounts so as to be easily computed on each denomination. See the table on page 21 for the exact purchase price and the tax payment value of the notes during successive months. Remember, none of these notes earn interest unless used in payment of income taxes.

Q. What are their denominations?

A. There are two series of notes as follows:

SERIES A

\$25, \$50, and \$100 each. (Amount acceptable in payment of income taxes limited to \$1,200 in any one tax year.)

SERIES B

\$100, \$500, \$1,000, \$10,000, and \$100,000 each. (Amount acceptable in payment of income taxes limited only by the amount of taxes due.)

Q. In what form should payment be made for these notes?

A. Remittance should be by check, bank draft, or money order, drawn to the order of the Treasurer of the United States, as payee.

Q. Can a \$100 denomination of Series A be exchanged for two \$50's or four \$25's of that Series?

A. Yes. Denominational exchange from a higher to a lower is permitted in either Series A or Series B. Applications for such exchanges should be made to the Federal Reserve bank which issued the notes.

Q. Can the notes be purchased on a monthly basis?

A. Yes. They were designed for that very purpose, so that the taxpayer can save a specified amount each month and invest it in these notes which can later be turned in to the Collector of Internal Revenue in payment of income taxes.

Q. Who can buy the notes issued under the Treasury's new "Tax Savings Plan"?

A. Only those who pay Federal income taxes should buy these notes. The Series A notes, however, are especially designed for the small taxpayer. Series B notes are designed for larger taxpayers, either individual or corporate.

Q. Can I use these notes to pay any kind of taxes?

Mr. Roosevelt — Prophet.

The more we talk in billions the easier it is for mere millions to get by unnoticed. That's why so little attention has been attracted by the latest pension push. In ordinary times a lot of controversy would have been generated. But now a bill has already passed the House, 144 to 4, causing scarcely a ripple in the vast sea of federal expenditure.

The bill would add immediately over 22 millions to the annual pension cost, which is now already nearly a half billion a year. But that isn't all. Its potentialities are something to give pause and shock to the all-too-patient taxpayer. It's one of those nose-under-the-tent things.

It provides pensions not only for the widows and children but also for parents of World War veterans, whether or not the veterans died as a result of service-connected disabilities—just so they served as much as 90 days in uniform and regardless of where they served. It sets up for the first time in our history the pensions-for-parents policy. (In this connection let's not forget that one of the big arguments for the passage of the bonus bill in 1935 was that the bonus would be "in lieu" of pensions.)

Under the bill the pension cost would multiply rapidly. Starting with 22 millions-plus, by 1946 the annual outlay would be 60 millions, since the number of beneficiaries would increase by 9000 per year. And so on.

Such a case as this would be possible—extreme, 'tis true, but possible!

A healthy World War veteran married in 1937 a girl who was not even born in 1918, when the armistice was signed. A child is born in 1960. If that child should live to be 90 it could, under the bill, still be drawing a pension in 2050 A. D., 132 years after the war ended.

And, of course, all pension bills, once passed, are only a start. "Liberalization" soon follows. That's the whole past pattern of pension legislation.

It seems a long time ago—but it was only six years last May—that President Roosevelt, addressing Congress, said: "I do not need to be a prophet to assert that if these [bonus] certificates, due in 1945, are paid in full today, every candidate for election to the Senate or to the House of Representatives will in the near future be called upon in the name of patriotism to support general pension legislation for all veterans, regardless of need or age."

That ringing bonus-veto message seems to us, in retrospect, to have marked the turning point of Mr. Roosevelt the advocate of economy to Mr. Roosevelt the disciple of spending. There have been ebbs and flows, but, generally speaking, spending has had the call.

Mr. Roosevelt has been lambasted for turning into a double-action Death Valley Scotty. But we feel that such lambasting has not been altogether just. Congress overrode that bonus veto—one of the soundest, most logical expressions ever written on the dangers of inflation, through living beyond your means.

And now it's Congress again—the House, at least—which, 144 to 4, proves that Mr. Roosevelt on that May day in 1935 was indeed a prophet.

Taxpayers and pensions—a New York *World-Telegram* editorial of July 10

A. You can use them *only* to pay Federal income taxes (current and back personal and corporation taxes, excess-profits taxes).

Q. What happens to a person's Tax Savings notes if he dies?

A. The notes can be presented by the estate for the payment of income taxes due from the decedent, or they can be redeemed for the amount paid for them. For further instructions consult the Federal Reserve bank that issued the notes.

Q. Are these Tax Savings notes transferable?

A. No. Nor can they be used as collateral.

Q. Will the Tax Savings notes be registered?

A. No, but they will have the owner's name and ad-

dress inscribed thereon so that the Collector of Internal Revenue can compare the owner's name with that on his tax return.

Q. Are the Treasury's Tax Savings notes taxable?

A. The income is not exempt from Federal taxation.

Q. Can I redeem my Tax Savings notes for cash?

A. Yes. Series A notes can, at the option of the owner, be redeemed at the price you paid for them at any time without advance notice. Series B notes can be redeemed at the price you paid for them any time after 60 days from the time of issue, upon 30 days' notice.

Q. Where can I redeem them?

A. At the Federal Reserve bank that issued them, in accordance with instructions on the back of each note.

PURCHASE PRICE AND TAX-PAYMENT VALUE DURING SUCCESSIVE MONTHS

The tables below (covering 2-year period from August 1941 to August 1943) show the purchase price and the value of each note in any given month. This amount in each case includes the principal plus accrued interest. During the period when the notes are on sale—August through December 1941—the figure in each case is the purchase price of the note during that month. Thereafter, the figure in each case represents the tax-payment value (amount for which the note will be acceptable during that month in payment of Federal income taxes).

SERIES A-1943

	\$25	\$50	\$100
1941 PURCHASE PRICE			
Aug.	\$25.00	\$50.00	\$100.00
Sept.	25.04	50.08	100.16
Oct.	25.08	50.16	100.32
Nov.	25.12	50.24	100.48
Dec.	25.16	50.32	100.64
1942 TAX-PAYMENT VALUE			
Jan.	\$25.20	\$50.40	\$100.80
Feb.	25.24	50.48	100.96
MAR.	25.28	50.56	101.12
Apr.	25.32	50.64	101.28
May	25.36	50.72	101.44
JUNE	25.40	50.80	101.60
July	25.44	50.88	101.76
AUG.	25.48	50.96	101.92
SEPT.	25.52	51.04	102.08
Oct.	25.56	51.12	102.24
Nov.	25.60	51.20	102.40
DEC.	25.64	51.28	102.56
1943			
Jan.	25.68	51.36	102.72
Feb.	25.72	51.44	102.88
MAR.	25.76	51.52	103.04
Apr.	25.80	51.60	103.20
May	25.84	51.68	103.36
JUNE	25.88	51.76	103.52
July	25.92	51.84	103.68
Aug.	25.96	51.92	103.84

SERIES B-1943

	\$100	\$500	\$1,000	\$10,000	\$100,000
1941 PURCHASE PRICE					
Aug.	\$100.00	\$500.00	\$1,000.00	\$10,000	\$100,000
Sept.	100.04	500.20	1,000.40	10,004	100,040
Oct.	100.08	500.40	1,000.80	10,008	100,080
Nov.	100.12	500.60	1,001.20	10,012	100,120
Dec.	100.16	500.80	1,001.60	10,016	100,160
1942 TAX-PAYMENT VALUE					
Jan.	\$100.20	\$501.00	\$1,002.00	\$10,020	\$100,200
Feb.	100.24	501.20	1,002.40	10,024	100,240
MAR.	100.28	501.40	1,002.80	10,028	100,280
Apr.	100.32	501.60	1,003.20	10,032	100,320
May	100.36	501.80	1,003.60	10,036	100,360
JUNE	100.40	502.00	1,004.00	10,040	100,400
July	100.44	502.20	1,004.40	10,044	100,440
Aug.	100.48	502.40	1,004.80	10,048	100,480
SEPT.	100.52	502.60	1,005.20	10,052	100,520
Oct.	100.56	502.80	1,005.60	10,056	100,560
Nov.	100.60	503.00	1,006.00	10,060	100,600
DEC.	100.64	503.20	1,006.40	10,064	100,640
1943					
Jan.	100.68	503.40	1,006.80	10,068	100,680
Feb.	100.72	503.60	1,007.20	10,072	100,720
MAR.	100.76	503.80	1,007.60	10,076	100,760
Apr.	100.80	504.00	1,008.00	10,080	100,800
May	100.84	504.20	1,008.40	10,084	100,840
JUNE	100.88	504.40	1,008.80	10,088	100,880
July	100.92	504.60	1,009.20	10,092	100,920
Aug.	100.96	504.80	1,009.60	10,096	100,960



Directors and Trusts



MILTON WRIGHT

"Trust institutions are facing a future that holds greater implications than ever before, but there also will be vastly greater opportunities", concludes Mr. WRIGHT.

ASK almost anyone to summarize for you the general trend of bank operation and service and what he will tell you will add up to the simple statement that banks are becoming more democratic.

In response to very definite needs, banks have installed services that give to the man of low income advantages which in times gone by were enjoyed only by the man whose means or operations were substantial.

In going through this transformation, banks have uncovered a source of profit they had been neglecting. They also have made the discovery that there is more money to be made from doing business with a lot of little people than with a few big customers. Furthermore, the broader foundation is the stronger one.

The boards of directors who have authorized profitable innovations have been actuated not alone by a desire for greater profit, but by motives of self defense. Other agencies—the personal loan companies, the household finance companies, even the Government—have been assuming banking functions. Banking business of a kind was being done and the banks were not doing it. This was bad enough, but the trend had set in and there was likelihood that still more would be chiseled away.

The director who has had the courage and initiative to meet the situation squarely and whose bank is forging ahead in spite of increasing obstacles is entitled to take a bow. It should be pointed out, however, that when a man is in the attitude of taking a bow, he is likely to be presenting an inviting target for a kick in the pants. There is more to banking than checking accounts and loans.

Which brings us to the subject of trust accounts.

THERE is a feeling that trust accounts are a thing apart, that only large ones really pay, that usually they are more bother than they are worth, that often they are carried at a loss, that the small bank which has them might do better to discontinue them, and that the board that is considering them had better forget the idea.

A director who has pessimistic views on the subject sums them up like this:

"As a matter of simple arithmetic, small trust business doesn't pay. Suppose you have \$1,000,000 in your trust department, and suppose all of the funds are invested at 5 per cent. If you were getting 5 per cent of that 5 per cent, you would be receiving an annual income of \$2,500. If you had only 100 different trusts making up that \$1,000,000, it ought to be clear that you couldn't service them properly for \$2,500 a year. How can you make any money?"

The answer, of course, is that some banks with small trust departments actually make plenty of money. One flaw in the reasoning of the pessimistic director lies in the fact that the profit on some trust operations is by no means confined to 5 per cent of the income. Fees earned in the handling of decedents' estates, for example, are based on principal. Many authorities hold that the trust department has a greater opportunity for profitable expansion than any other department of the bank.

The prospect of direct profit, however, important though it is, is not the sole consideration of the public-spirited director. The administration of trust funds is a public service within the scope of the bank's abilities. In some quarters it is looked upon as a civic responsibility which ought to be assumed if it is not already being done. Certainly no phase of bank service can give a director a deeper sense of usefulness to the community than proper management of the funds of persons who are not in a position to take care of their own affairs to their own best advantage.

WHERE a demand exists a way sooner or later is found to meet it, either by a present organization or by an agency newly created for the purpose. There is no suggestion at the present time that the Government will step into the picture and provide for public trustees such as have prevailed in England and New Zealand, but a widespread need has been growing for the administration of small estates. Somebody is going to do the job.

Here is a problem that calls for careful consideration by the board of every institution that exercises trust functions. In some cases boards have had a more or less fixed policy that they would limit their acceptance of business to trusts and estates above a fairly high minimum level; in cases where the institution was named in an estate involving a lesser amount, they would refuse to qualify.

"Our policy is dictated by our desire to make a profit," say directors whose institutions follow such a course. "Experience has shown that there is a figure below which we cannot handle an estate or a trust. Nobody could expect us to perform a service at a loss, and we feel no obligation to accept everything that is offered."

A board of directors, of course, is legally entitled to take such an attitude, but the responsibility persists to provide trust services to all of the people who need them. Not only the obligation to the community, but good business indicates the importance of finding ways and means of making small trusts profitable. It can be done.

The first step toward broadening the scope of profitable trust operations is to ascertain accurately what the costs are. It is suggested that a careful and complete cost analysis be made, covering all services that are rendered. This is especially important in times like the

present, when operations are becoming more complex and expensive, with taxes higher, investments narrower, and regulation more rigid.

Only upon a precise cost basis can an adequate schedule of fees be established. Changes in the fee schedule do not consist necessarily in raising the percentage, but may involve a different kind of fee. Just as in the checking department losses were stopped by the installation of service charges for small accounts, so in the trust department service charges for trusts and estates below a certain amount may be in order. Certainly many of the old commission agreements provide grossly inadequate compensation. Where they are feasible, fees and charges based on principal rather than on income are always more satisfactory.

The profitable investment of trust funds is growing more difficult all the time and directors, as a board, may well consider the method of having a common trust fund in those states where it is allowed. Many authorities believe this to be the best method of investing small trusts for diversification and for stability of both principal and income.

THE *active* management of the trusts, of course, should be left in the competent hands of the trust officer and there should be a minimum of interference by the directors in his *legitimate* activities. Presumably he knows more about trust matters than any of the directors. The best result can be obtained, however, if he keeps in close and detailed contact with the board, or the committee working with the trust department, so that they can add the benefit of their knowledge and experience in particular situations.

Adequate supervision by the board calls for frequent periodic reports by the management as to the status of the trusts. Once a week is not too often for the trust committee to receive these. They should include reports of purchases and sales of securities for trust accounts, new trust business received, comparisons with the corresponding periods of the previous year, and of gross receipts so apportioned as to show how much has been earned as trustee, how much as executor and administrator, how much as guardian, and how much as agent. Included in the reports, also, should be facts and figures showing how closely the management is adhering to the investment policy which the board has established. This would involve such items as the percentages of holdings as among federal, state, municipal, utility, real estate and other securities. The reports, further, should include analyses of the holdings of the larger trusts.

DIRECTORS find it easier to supervise the work of the trust department when they encourage the management to submit reports in forms that enable ready comparisons. In one small trust company each director receives, as he enters the meeting, a mimeographed sheet giving comparative figures for the year to date, with comparisons for the corresponding period the previous year. A detailed breakdown is also made for each major item with similar items of the last 10 years. Large charts are mounted on an easel and comparative totals are reduced to colored graphs. By such means helpful discussion is stimulated.

Some of the most valuable service which directors give to the trust department is given not as a board, but individually. Both in securing trust accounts and in helping to manage them, the help of directors can be highly valuable.

The most profitable type of trust business is that of probation of estates and testamentary trusteeships, and it is among the easiest to get. The director's first duty in this connection, it has been pointed out many times, is to name the trust institution the executor of his own will. Until he does so, he can hardly be expected to have much influence in getting his friends and acquaintances to name the institution.

The attitude which any director should take regarding his personal efforts to secure trust accounts depends upon the particular circumstances and his personality. Sometimes he can make an outright recommendation to a prospect; at other times he can state facts which give the prospect a sufficient justification for naming the institution, should he care to do so. In every case, the director should be fully enough informed about the trust activities to satisfy a legitimate desire for information.

In general, the greatest usefulness of the director in getting new business will be to give advice and assistance to the trust officers. Because of his position in the social and industrial life of the community, he is possessed of facts which are not known to the trust officer. It should be understood that in seeking new business, the staff man of the bank should be free to call upon the director for information, direction and introductions.

SOME phases of banking service can be handled almost automatically, but trust administration is not one of them. A watchful eye must be kept on every separate trust, lest it shrink in value.

In one country bank which operates a small but highly successful trust department, the practice has been established of assigning each trust to some one director. Feeling a personal responsibility, he takes particular interest in it and is active to see that it is administered properly and profitably. Many constructive steps are taken which would not have been thought of if all the trusts had been equally the responsibility of all the directors. To keep intimately in touch with only one estate, furthermore, is an excellent method of keeping in touch with the entire trust department.

Trust institutions are facing a future that holds greater complications than ever before, but there also will be vastly greater opportunities. With increasing problems of conservation, management and transfer of property, there will be a greater need for testamentary trusts, living trusts, agency accounts—all of the services, in fact, which the trust institution is equipped to give. It is a clear call for public-minded directors.

The Control of Foreign Funds

Answers to Some Questions About "Freezing"

The "freezing" of certain foreign funds by the United States Government presents a number of problems vitally important to banks. In this interview with two Treasury officials the questions that are of first importance in this field are raised and answered.

The answers in the interview are by EDWARD H. FOLEY, JR., General Counsel of the Treasury Department, and JOHN W. PEHLE, Assistant to the Secretary of the Treasury. The questions were asked for BANKING by HERBERT M. BRATTER.

1. What is the purpose of "freezing" control?

THE two words most aptly answering that question are "economic defense". Beyond that, reference might be made to the press release issued by the White House on June 14, 1941, relative to the extension of "freezing" control. In such release it was stated:

"The Executive Order is designed, among other things, to prevent the use of the financial facilities of the United States in ways harmful to national defense and other American interests, to prevent the liquidation in the United States of assets looted by duress or conquest, and to curb subversive activities in the United States."

2. Does "freezing" control affect anything other than transactions in foreign exchange and similar transactions in the field of international finance and trade?

THE answer to this question is very definitely "yes". The "freezing" control imposed by Executive Order No. 8389, as amended, affects transactions of a purely domestic character as well as those of international scope if any blocked country or any national thereof has an interest in the domestic transaction. Thus a bank may not, except under general or specific license, permit withdrawals from blocked accounts even though the withdrawals are for purely domestic purposes or permit withdrawals from a blocked account where the blocked national is in the United States rather than in Europe.

3. Is there any rule of thumb which might be employed by banks for their general guidance and protection in determining whether transactions require a license in order to be effected?

OBVIOUSLY there is no substitute for a thorough knowledge of the Order, regulations, rulings, general licenses and public circulars relating to freezing control. That is the only way for banks to protect themselves fully and at the same time perform a necessary service for their customers. Pending complete familiarity with the freez-

ing regulations the following rule of thumb may be used as a general guide by banks:

"Any transaction which involves a banking institution and in which any blocked country or any national of a blocked country has any interest of any nature whatsoever, direct or indirect, is prohibited except pursuant to license." In applying this rule of thumb, banks should keep in mind that the terms "banking institution" and "national" are defined in section 5 of the Executive Order and are very comprehensive in scope. These definitions should be studied at once.

It cannot be emphasized too strongly that the freezing order affects the operation of every bank in the United States, and a thorough understanding of the documentation furnished each bank by the several Federal Reserve banks is imperative not only to protect the bank and its customers against violations of the Order but also to enable the banks to play the important role assigned to them in this vital defense measure. Many banks have a large staff engaged exclusively on freezing control matters. Other banks not having the need for a department of this character have found it highly desirable to assign to one of their senior officers the responsibility for keeping fully abreast of all developments in this increasingly important field and for guiding other members of the bank's staff, as well as the public, regarding such matters.

4. What is a "blocked account"?

THE term "blocked account" has been defined in General Ruling No. 4 as follows:

"The term 'blocked account' shall mean an account in which any blocked country or national thereof has an interest, with respect to which account payments, transfers or withdrawals or other dealings may not be made or effected except pursuant to a license authorizing such action. The term 'blocked account' shall be deemed to include free dollar accounts of the type referred to in General License No. 32, as amended, or the accounts of generally licensed nationals."

The same general ruling defines the term "blocked country" as any foreign country designated in the Executive Order, i.e., any country to which the freezing control has been extended.

5. What are the obligations of a bank in connection with the blocking of accounts?

THE Executive Order imposes a definite obligation upon banking institutions in the United States to block, and thus to require licenses with respect to, every account in which any blocked country or any national thereof has an interest of any nature whatsoever, direct



Edward H. Foley, Jr.



John W. Pehle

or indirect. In certain specified cases this obligation has been lifted by general and specific licenses, as for example General Licenses No. 42 and 51. In all other cases banking institutions should utilize all the resources at their disposal in determining which accounts should be blocked. This, of course, would include not only the information in their files but also the knowledge of the officers of the institution. A knowledge of the definition of "national" appearing in section 5 of the Order is a prerequisite to knowing which accounts are required to be blocked. In this connection attention is invited to the fact that such definition expressly provides that the term "national" includes:

"Any other person who there is reasonable cause to believe is a 'national' as herein defined."

The successful operation of the Executive Order requires the fullest cooperation, resourcefulness and initiative on the part of banks in blocking accounts.

6. What should a bank having an account for a certain person do when it learns that another bank has blocked the account of such person?

IF the first bank has not already blocked the account in question it is immediately placed on notice that the account should probably be blocked and, in the absence of definite information to the contrary, it should accordingly block the account pending further study of the case. Certainly the fact that one bank has blocked the account of an individual will be cause for other banks to have reasonable cause to believe the party in question is a national of a blocked country. Having reasonable cause to believe that a person is a national of a blocked country requires a bank to block an account unless there is an outstanding general or specific license lifting such obligation.

7. What if a bank blocks an account and subse-

quently discovers information leading it to conclude that the account should not be blocked?

IN other than clear-cut cases the bank should advise the Treasury Department of the facts through the appropriate Federal Reserve Bank and if the Treasury Department agrees, it will authorize the account to be freed. Banks may assume that the Treasury Department will employ fully its large powers to protect them where they have blocked accounts in good faith.

8. Is it true that the Executive Order and Regulations require census reports, for instance with respect to British and Latin American assets in the United States, as well as those of all the blocked countries like Germany, France, Switzerland, the Netherlands, etc.?

YES. The Regulations require that census reports on Form TFR-300 be filed by banks and all other persons with respect to property in which *any foreign country*, or nationals thereof, have an interest. Of course General License No. 42 has specifically lifted this obligation in certain cases but banks and other persons must be satisfied that the general license applies before relying upon it to excuse them from filing a report in any given case.

9. What should banks do in cases where they are in doubt as to what they are required to do under the "freezing" orders with respect to a particular transaction?

IT is suggested that they either get in touch with the Federal Reserve bank in their district or write directly to the Treasury Department for advice. In most cases they probably will find it more convenient and expeditious to communicate with the appropriate Federal Reserve bank.

When Love Goes Out the Window



1. The honeymoon was over . . .



2. And the handsome bridegroom hurried back to the office



3. The bliss, of course, lingered on . . .



4. . . . as husband and wife settled down to what they thought was to be a happy marriage



5. And as regards the matter of love, they were right



6. But when certain complications began to set in, bliss didn't fare so well



7. It all came about like this



8. Husband had a way of handling money that didn't particularly please the wife



9. For example: she never had enough money to pay the milkman, the newsboy . . .



10. . . . and the 101 other small bills



11. Then there was the matter of the lost receipts



12. Husband had to pay two bills twice



13. But these were minor ailments compared to the event of July 3



14. Whilst wending his way to buy fireworks . . .



15. He was held up and robbed of all his cash



16. And real fireworks didn't compare with those he saw when he got home

J. WILL IRWIN and BOB KIRKPATRICK

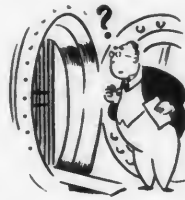
Mr. Irwin and Mr. Kirkpatrick are on the staff of the Purse Company, Chattanooga



17. The wife went home to mother



18. One day soon after he was eating lunch in his bank's safe deposit vault



19. And his banker friend happened by



20. The husband told of his woes and worries



21. The banker said, "Come with me. We've got a date with Cupid"



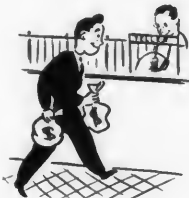
22. "This," the banker beamed, "is Cupid—on safety paper"



23. The husband was a little skeptical until he was shown the ink eradicator test



24. A checking account seemed the logical solution to his marital troubles



25. He had enough money hidden under the corner of his house to start a goodly account



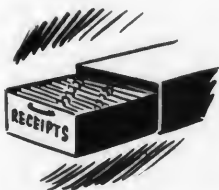
26. So what happens? He pleads with his wife for one more chance



27. Rejected, he sends her a check book with a folder explaining the virtues of a joint account



28. He will pay all his bills by check; she can pay the house bills by check . . .



29. . . and the cancelled checks will be their receipts. Also, he can't lose cash if he carries a checkbook



30. The virtues sink in. "Why, I've got a real money-managing husband!" she exclaims



31. "Come into my arms, my handsome financier!"



32. And they lived happily ever after

Materials Behind Mortgages

MILES L. COLEAN

THE mortgage lender is faced with a greater necessity than ever of knowing the character of his security. By taking the easy way of refusing to handle loans except where traditional materials are used in conventional ways, he may be loading himself with rapidly depreciating collateral. By indiscriminately taking the new, he may be doing the same thing. The situation requires that the lender keep up-to-date on innovations in building materials and their uses. He should take the fullest advantage of the work being done by the government's laboratories. He should examine methods of manufacture and watch field experience. He cannot afford to be content with what is familiar to him and he dare not proceed blindly where he is uninformed.

THE traditional method of house construction is pretty largely the creature of the materials it uses. These materials are exceedingly numerous. Over 40 basic materials commonly appear in a medium-sized house and the combinations of these in alloys and compounds would multiply the list several times. The materials appear in the 30,000 or more parts of which the house is assembled and the resulting complexity requires many specialized skills in the assembly process. These will range from eight to 20 in a fairly small dwelling, to over 50 in a large apartment dwelling. The complex nature of the housebuilding process is thus largely traceable to the multiplicity of the elements involved in it.

Such diversity in the combinations of materials in use creates other problems. Materials act in different ways. They vary in expansion or contraction when subjected to heat or cold, moisture or dryness. They vary in their absorption of moisture and the extent of the damage caused by moisture. The compatibility between materials consequently may not be very great. The dampness of plaster will warp wood and the twisting of wood will crack plaster. The too rapid drying of mortar or plaster will open cracks, allowing water or vapor to damage insulation. Such citations could be continued indefinitely.

As a result of the materials situation we have a structure that is complicated in character, difficult to assemble, and far from satisfactory in use. Consequently, much of the thought and effort going into the development of better techniques has been devoted to a search for materials that would in themselves simplify the problems of erection and maintenance.

This search has had an abundant and various harvest. We find great improvements in the qualities of familiar materials. We find familiar materials in new uses. We find them in new forms as well as in new places. We find new materials in unexpected places. We discover that

Mr. COLEAN, research director of the Twentieth Century Fund's Housing Survey, is writing a series of articles for **BANKING** on construction trends. This is the third.

some traditional materials are being displaced. We may be surprised to find the familiar use itself changing under the impact of new forms or new materials. The range is so great that only a few of what appear to be the most significant developments may be described here.

One important feature of the change in the materials field requires comment. Research, except in rare instances, has not been conducted by housebuilders seeking the right material for the specific use. We do not have the kind of organization here that we have in many other industries, capable of financing research for the improvement of their products. The burden, therefore, has fallen principally upon the materials manufacturers whose primary concern necessarily must be not with the house as a whole, but with the expansion of the uses of their own specialties. The overall result is thus in many ways unbalanced and uncoordinated. Many blind alleys have been followed and many false claims made. Nevertheless, the benefits have been great and the promise exists of even better things to come.

HARDLY one of the materials common in house building has been unaffected in this restless search for expansion and improvement. In the previous article the use of steel and wood in novel structural systems was described. Steel has appeared in other new ways. It has become common in kitchen cabinets. It has provided an alternate to the cumbersome enameled cast iron in plumbing fixtures. It has advanced in its competitive position with wood in window sash. Copper has made great inroads in piping, simplifying the work of installation, increasing the durability of plumbing systems, and saving space in the structure. We have recently become familiar with glass cast in blocks, in some cases supplanting windows, in others providing light where windows would be impracticable.

Even that grandfather of materials, brick, has not been untouched by the technicians. Experiments have been made with wall-thick brick, with inch-thick brick for use in veneered construction, and with structural tile substitutes for the familiar brick size. None of these efforts has met the disadvantages that brick, in spite of its durability, has encountered in the drive toward low priced dwellings. These disadvantages are bulk and cost. Since the bulk of the standard brick wall provides more strength than is needed in most dwelling construction the reduction of bulk by the revival of hollow wall construction promises one way of keeping brick in the picture. Some of the lowest cost experience obtained by the United States Housing Authority has been with the use of this method.



EWING GALLOWAY

A famous old house—The House of the Seven Gables

The strength with which old methods and old materials are established in our housebuilding processes should not blind us either to the possibilities of change or to the actuality of change in many places where the familiar material may have shown itself weak, expensive, inadaptable to shop conditions, or, under defense conditions, difficult to obtain. It is not unlikely that the near future may see an acceleration in these developments, and, in fact, the pro-

Concrete, too, has not been neglected. Though, as we have seen, it has not been successfully adapted to off-site fabrication, the development of light aggregates and the increase of strength and density by agitation during the presetting period have extended its use in the residential field, particularly in the West. The introduction of plywood forms has simplified the problems of finishing and has permitted the use of the structural surface without plaster on the interiors of buildings.

As new materials we may take those that either have been introduced or have been given their most extended application in the period between wars. This period has seen, as one example, the development of wall boards. Before the first World War, wall boards were confined chiefly to cardboards and wood slat laminations. Now we have an array of boards of gypsum, of vegetable and mineral fibers, of wood pulp, and of repulped waste paper, adaptable for a wide array of structural, insulating, and finishing purposes.

Not only board insulation, but the whole development of insulating materials has come within this period. Before the last war we had sawdust, cork, and seaweed quilted between paper. Now, besides the board insulation, we have the vast improvements in mineral wool, glass fiber, and felts of waste material. Perhaps no other development in the materials field, up to the present, has had such far reaching results. It has added to the comfort of the house, it has decreased the costs of its maintenance, and it has made possible the development of more economical heating systems.

But the most interesting — and the most prophetic — innovations have been in the field of plastics. A competent analysis of the complex field of plastics is beyond not only the limits of this article but the capacity of its



CUSHING

New houses, FHA financed, in a New Jersey community

vision of a desirable amount of new housing under highly strained industrial conditions, with their imminent shortages of labor and materials, may only be possible if such progress takes place.

The movement bears watching and encouragement, but the watching needs to be informed and the encouragement given with discretion, since many insubstantial claims are bound to ride the crest of a wave of experiment.

author as well. It will be possible here only to refer to the most noteworthy instances of the plastics invasion, using terms chosen for their descriptive quality rather than their scientific accuracy. Perhaps the most common use of plastics in housebuilding has been in paints, where during the last decade a revolution has been effected in improvements in toughness, quickness of drying, color, and weather resistance. In solid form, plastics have largely displaced metal in electrical fittings and have begun a similar displacement in finished hardware — door knobs, plates, and so forth. A considerable speeding up of this process may be expected to result from the prior claims on zinc, copper, and nickel of the defense industries.

These uses of plastics do not affect the character of the house or its structure, since they merely provide substitutes for long familiar materials. But their uses are identical with the old uses. More radical changes are promised by the development of laminated plastics, whose cheapness and strength offer peculiar advantages to the housebuilding industry. A laminated plastic is one composed of a number of layers of an inert material bonded together under heat and pressure with a plastic compound. The best known of these, and at the present time the most useful, is modern plywood.

THE future of plywood in residential construction promises to be a very full one as its advantages in strength, durability, and economy become better known. Plywood, however, is not likely to remain the only plastic material available for structural purposes in the housing field. The possibilities of substituting felted sheets of waste material, such as old paper, cotton liners, carpet trimmings, and so forth for laminations of

(CONTINUED ON PAGE 60)

Let $X = \$1$

A sharpening of public interest in the dollar is evident in several directions, notably the prospects for or against inflation, and the amount of money in hoarding. Here is a discussion of the dollar as somewhat of an unknown quantity—hence the algebraic title.

HERBERT M. BRATTER

The author contributes regularly to BANKING from the Washington scene.

THE dollar? Money? Just what is it? Take a dollar bill out of your pocket. A crumpled scrap of paper. It looks like money, smells like money, is money. But what is money?

The dollar bill in your hand is most likely a silver certificate. If so, it reads: "This certifies that there is on deposit in the Treasury of the United States of America one dollar in silver payable to the bearer on demand." Turn in the certificate and you may get a "standard silver dollar." Melt down the coin—if you want to break the law against mutilating and destroying currency—and you have about three-quarters of an ounce of silver, worth, at the present inflated price of 35 cents an ounce maintained by the Government, about 27 cents. Yet anyone will take that silver certificate off your hands and give you \$1 in value in exchange, because on the bill is printed: "This certificate is legal tender for all debts, public and private." So it is with all other forms of U. S. currency.

IN short, the dollar of currency buys "a dollar's worth," not because there is in the Treasury some 27 cents worth of silver, which you can get in exchange for each dollar, or some \$22½ billions of gold bullion, none of which you can get in exchange—but simply because, if you have a dollar, you can force anyone to accept it in payment of a \$1 debt.

We have some \$9 billions of currency outstanding, much of it hoarded. You might say that this currency is secured more than two times over by our \$22½ billion

gold hoard. You probably will agree with Secretary Morgenthau that our dollar is the safest currency in the world. And yet you can see daily the buying power of that "safest" dollar shrinking, to the dismay of Leon Henderson and many others.

When you once recognize the fact that in the actual operation of our complicated national business life there is no practical difference in the acceptability of a \$1 bill, a dollar's worth of small change, or a \$1 check drawn against the checking deposit of a businessman or housewife, you simultaneously realize that our supply of money dollars is not just our supply of currency, or our supply of bullion; but that it is our supply of currency plus the sum of all the balances in all the checkbooks throughout the land.

THERE used to be a fairly direct relationship between the amount of bank deposits and our centralized gold supply. But we have discovered so many ways of changing the rules whenever we think we are in a tight place, that the legal ratios have little real meaning. We have devalued the dollar, and made a "profit" thereby. We have changed the reserve requirements, jerkily, like a person learning to drive a car. We have set about swelling our reserves by converting into dollars all the silver and gold anyone chooses to send here. And, very important, we have demonstrated the ages-old axiom that an empty Treasury is no deterrent to government spending. The Government, as deemed necessary, borrows from the banks "money" created for the purpose by a few pen strokes in a ledger.

All this is recounted not to criticize, but to explain what is happening. The volume of checkbook dollars is

Our gold's Kentucky home—Fort Knox



WIDE WORLD

Our silver lining—West Point



WIDE WORLD

increasing. The national income is going up. The "money" civilians have available to spend is growing in amount, while the supply of things to buy is, because of the defense program, unable to keep pace with the demand. As people reach the conclusion that this trend will continue in the months ahead, they are likely to become concerned about the shrinking buying power of their money and to prefer to hold a tangible form of wealth instead of just dollars. That is the fear of many observers.

When those holding goods or able to perform services come to value goods and services more highly in terms of money, inflation raises its head.

The goods and services which the Government is now buying, partly with deficit dollars, are soon consumed. Left to show for them are the budget records or the lease-lend reports to Congress, plus one thing more: the "dollars" which the Government paid for them. Some of these dollars are merely credit dollars created for the purpose. Spent by the Government, they are not cancelled. They remain in existence in someone's bank balance, until taxed or again borrowed by the Government at a time when Federal revenues exceed Federal expenditures.

ALTHOUGH extreme inflation is violent, its beginnings are often subtle and insidious. No one can say precisely when the smouldering will burst into flame, if indeed ever. Every nation needs a certain "irreducible minimum" of currency as a medium of exchange—simply as a matter of convenience to keep the complicated economic machine ticking on all cylinders. This irreducible "hard core" is naturally not rigid: at an active time like 1941 it is much larger in volume than at a time like 1932. But beyond the hard core is the mass of idle cash, idle receipts for wealth that was long ago produced and is now permanently off the market.

A war is fought with goods produced by the generation engaged in the war or its predecessors, not with goods produced the next generation. The Government, in issuing dollars, in effect is promising to return to its contractors an equivalent *value*. These promises are real, even though they be in the form of *dollars* paid on the barrelhead. The Government also issues its interest-bearing promises, redeemable at some subsequent date. We say "the next generation is saddled with the armament debt." In part this is true. To the extent that the next generation does redeem the Government's wartime promises it, too, pays for the armament or war. In one sense, even though the Government itself should never redeem its printed promises, future generations may be said to pay for today's war.

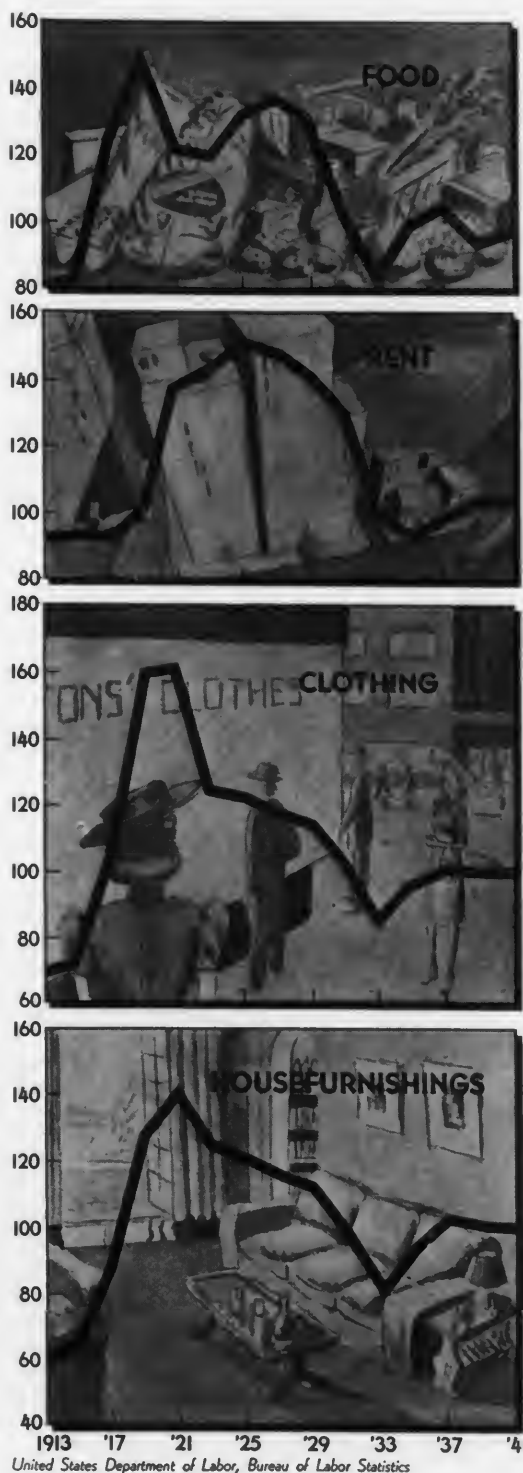
After all, a dollar is worth no more than the public's estimate of the amount of available goods and services, immediate or prospective, divided by the number of "dollars" available to buy them.

Hoarding of currency has a long line of tradition. It has all the aims of saving plus the aim of security. The squirrel saves out of instinct, and so, for that matter, does man. The object is to be able to put your hands on your savings when you need them. This explains the gold in the French peasant's traditional sock, and the silver buried in the wall of a Chinese farmer's house. The gold and silver would always be exchangeable for goods.

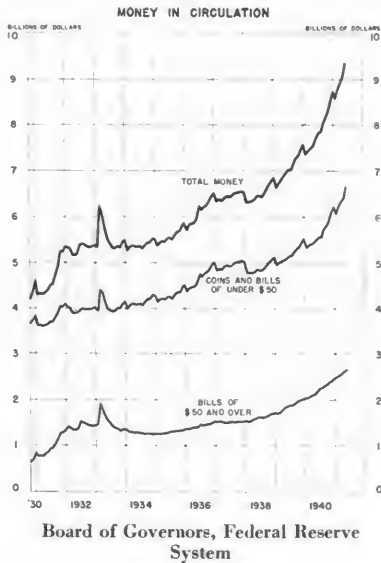
Cost of Goods Purchased by Wage Earners and Lower-Salaried Workers

AVERAGE FOR 33 LARGE CITIES

1935 - 39 = 100



United States Department of Labor, Bureau of Labor Statistics



Unofficial estimates put the amount of currency outstanding but inactive at about \$2¼ billions in the Summer of 1941. In other words, about two-thirds of the increase in outstanding currency since the middle of 1936 probably has gone into hoarding. This means that about a quarter of the currency outstanding is not in active circulation.

different denominations of currency. (See chart compiled by the Board of Governors of the Federal Reserve System on this page.) Federal Reserve Chairman Eccles thinks the increase in big notes reflects the desire to conceal transactions. The Federal Reserve Bulletin for February 1941 (p. 114) estimates that since 1933 about \$1,200,000,000 of large denomination currency has gone into hoards, this being in addition to substantial sums previously hoarded.

Since currency and bank deposits are interchangeable forms of money, consideration of the subject of hoarding would be incomplete without mention of the billions of dollars believed to be held inactive in the form of bank deposits. Whether we compare merely the aggregate amounts of deposits in the banking system now and a few years ago, or whether we make adjustment in those figures for the rate of turnover or velocity of bank deposits, the fact is clear that there is much "money" hoarded in bank deposits. This has been consistently true for several years. According to Professor James W. Angell hoarded demand deposits in 1939 totaled 13.4 billions and are now substantially higher.

The value that was given for them could be recovered, excepting in some extreme catastrophe like a devastating flood.

But the hoarding of paper money in time of war is something different. There is one enemy, inflation, which can seek it out no matter where hidden. Despite this fact, many people do hoard paper money, because they feel uncertain. When inflation threatens, however, hoarded fiat currency is smoked out. No one wants to hold an evaporating asset. If we can keep track of the amount of hoarded currency coming back into active use, we may have some measure of the approach of inflation.

DESPITE the indications of considerable hoarding, much of the large increase in currency outstanding is not a reflection of distrust in the banks. This public preference for currency has other explanations. Without implying any ranking in order of importance, we may state them as follows:

(1) The cheapness of money, with demand deposits paying no interest and time deposits paying little interest, offers less inducement to keeping funds in banks; (2) service charges by banks encourage the use of cash in many smaller transactions; (3) banks themselves, possessing excess reserves, keep on hand much more vault cash than formerly; (4) many communities still lack adequate banking facilities, lost during the banking panic of the early 1930's; (5) the relief program (WPA, CCC, etc.) and the draft army have resulted in large cash distribution; (6) labor unions have been asking for cash payrolls — charges made for cashing workers' checks may be a factor in the unions' attitude; (7) another big factor, now nearing an end, has been the desire of foreigners to conceal assets from their governments, as well as to escape freezing here; (8) foreign propaganda and fifth column activity here; (9) growth in retail and other business; and (10) the rise in prices.

The difference between the various factors enumerated above is reflected in the varying increases in the

Dollar bookkeeping was introduced by George Washington in his Revolutionary War accounts on January 1, 1777. The page, below, from the Treasury records, is in Washington's own handwriting

23) D. The United States... etc.

		Dollars	Cents
777	To bal. of the last acc. acc. for the year 1775 abt.	599	9
Jan 1	To bal. for the year 1775 abt. denied the payment there	37	10
2	To 4 adms. exp. paid by me at different times & places in papers from the White House by the way of Henry's farm to Feb 10 1776 - and afterwards on the receipt of the day here the various articles for by Francis & others here	120	4 5
3	To secret services since the army left Cambridge in April while it lay at New York - and which it's retrench as above	1050	28 4
4	To 12 adms. exp. paid on the March from Boston to Morris Town & during two days halt at Packer Neck - 12 Men in Boat	98	35 10
Feb	To Col. Needles - for his pay for the use of his Regt.	500	
Mar 8	To Capt. Felt's - 400	130	
Mar 11	To Capt. Felt's - 400	260	
Mar 11	To Mr. Thompson the W. Regt. for his like purposes	10	
Mar 11	To Capt. Felt's - 400	1000	
Mar 11	To Servants - at 100 times	46	
Mar 11	To Benj. Hamming's acc. for 12-11 ad. dis. of the 1. 2. 7.	4	10 5
Mar 19	To space to May for need for secret services	3	
Mar 22	To Capt. Felt's - 400	1000	
	Adm. carr. form	1094	14 6

The money then paid is changed in kind & is not to be considered as such.

Merchandising Defense Bonds

"For more than a decade now," commented the *New York World-Telegram*, "it has been unfashionable to say anything good about bankers.

"But it seems to us some praise is due the banks for their cooperation with the Treasury Department in marketing the Defense Savings Bonds. They are performing this service without fee or profit—and at some immediate disadvantage, for whenever a bank sells a bond to a customer that bank's deposits are usually reduced by the amount of the purchase price."

On these pages *BANKING* publishes pictures showing bank promotion of Defense Bonds by the effective use of lobby and window space. A similar series of illustrations appeared in the July issue.

PARADE. The Tower Grove Bank and Trust Company, St. Louis, arranged a parade, right, of high school students to the bank where the young people bought Defense Stamps



COLOBERGER

FREEDOM. Below, right, an exhibit of the Bank of America, N. T. & S. A. in its main branch, San Francisco. Left, display in the Union Bank of Commerce, Cleveland



HAAS



NOVEL. The First National Bank of Leesburg, Florida, placed in front of the official Treasury poster three of the largest watermelons grown in the state this season. Shown with the melons, are N. G. Brown, left, the grower, and J. Carlisle Rogers, cashier of the bank and secretary of the Florida Bankers Association. Above, right, the Union Bank & Trust Company of Ottuma, Iowa, combined bond promotion with a compliment to a customer

BILLBOARD. Guy W. Cooke, assistant cashier, and Edward E. Brown, president, First National Bank of Chicago, inspect one of the bank's outdoor posters



THANKS. In this display of the Farmers and Merchants National Bank, Los Angeles, John Citizen expresses his appreciation for Uncle Sam's munificence. Toy soldiers and battlements add color



PROMINENT. Folks in Tulsa, Oklahoma, can't miss this one when they're in the neighborhood

OLD GLORY. The Fidelity Union Trust Company, Newark, New Jersey, left, and the Franklin Square (New York) National Bank, feature the flag



SALE. In the lobby of the Washington Irving Trust Company, Port Chester, New York



BIESTER



HOUSE ORGAN. Among the media used by banks to promote sale of Defense Bonds is the house organ. *Left*, the cover of The Detroit Bank's monthly magazine

ON GUARD. Crossed rifles and the Minute Man catch the eye in this display by The Herring National Bank of Vernon, Texas



POSTERS. The Oneida National Bank and Trust Company, Utica, New York, had a painting, *below, left*, made especially for its Defense Bond boosting. *Right*, The American Trust Company, Charlotte, North Carolina, included a cutout of the Minute Man poster

U.S. DEFENSE BONDS & STAMPS CHART

Denominations	Issue Price	Maturity Value
\$.10	\$15.75	\$25.00
.25	37.50	50.00
.50	75.00	100.00
1.00	375.00	500.00
5.00	750.00	1,000.00

Albums Free *Mature in 10 years

BUY THEM HERE





Big aircraft manufacturers "draft" bank-perfected RECORDAK

YOU probably know that Recordak—*invented by a bank official*—has won wide recognition for its contribution to efficiency and economy in the banking field. But did you know that this versatile worker is winning its stripes in aviation, too?

Recordak is employed by one of America's leading aircraft engine manufacturers to safeguard irreplaceable engineering records. These records, formerly listed on 60,000 individual cards, have been transferred by Recordak to a single "film file" that is lasting... tamper-proof... extraction-proof. The reels of film are so compact that they can be stored in an ordinary safe deposit box—available only to those authorized to use them. In times

(1) Bank Model Recordak. Speeds up transit operations, photographs paid checks, protects bank and depositor. (2) Reversible Recordak. For photographing both sides of checks and large forms in a single operation. (3) Recordak Junior. For

like these, such complete protection is vitally important to aviation... to our whole defense effort.

But safeguarding vital engineering records is only one of the services which Recordak performs for aviation. It handles other jobs for other major aircraft companies—and handles them equally well.

What can Recordak do for you? Just ask your fellow bankers. They'll tell you that: (1) Recordak provides a lasting and secure record of every transaction. (2) Recordak saves up to 45% net on per item costs... up to 50% on supplies. Recordak is *rented*; not sold. Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.

smaller banks, and special departments of large banks (tellers' cages, filing departments, etc.). (4) Commercial Recordak. Photographs all bank forms. Widely used for the Recordak System of Single Posting.

RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS



All In Favor

FOR the first time, A.A.A. marketing quotas are to be applied to wheat. This program was approved by more than 80 per cent of the farmers voting in a national referendum, the Department of Agriculture reported, and as a result each commercial grower has an acreage allotment and a marketing quota. The Agricultural Adjustment Act of 1938 provides that when supplies of wheat are 35 per cent or more above normal domestic consumption and exports, marketing quotas must be proclaimed. Quotas remain in effect, however, only when approved by two-thirds of the wheat farmers voting in a national referendum.

In Romulus, New York, a bank was the wheat referendum polling place for the community's wheat growers

Lewis Morgan casts his wheat ballot

APPROXIMATELY one-third of the nation's wheat crop, says the Department, was handled under Government loan in 1940. Loans totaling \$200,600,000 were made on 270,000,000 bushels, most of the paper being handled by commercial banks, particularly small rural institutions.

Price support "will be greater this year under the new 85 per cent of parity loan base." "Quotas will apply," explains the Department, "on all farms where wheat seeded for 1941 harvest exceeds 15 acres, or normally yields more than 200 bushels, whichever is larger. Farmers who have seeded within their allotments may market their entire production without penalty. Wheat produced on acres in excess of the allotment will be subject to a per bushel penalty of 50 per cent of the basic loan rate."



PHOTOS BY A. A. A.

BANKING

Say "Aye" . . . The Farmer Votes for Wheat Quotas



Romulus farmers voting

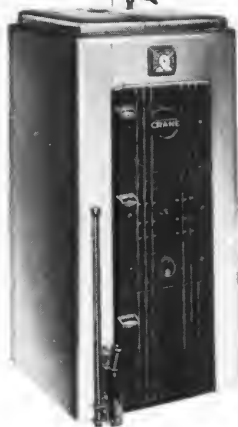
Counting the votes at Fayette, New York

"THE farmer who has wheat in excess of his allotment," explains the Department, "has the choice of paying the penalty on it (in which case he may market it), storing it under bond, or delivering it to the Government for use in supplying relief needs. If excess wheat is sealed in approved storage, it will be considered eligible collateral for a Government loan at 60 per cent of the regular loan rate offered program cooperators."

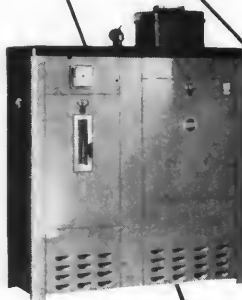
August 1941



Invest in HEATING COMFORT



The Crane No. 10 boiler for steam or hot water heating. Burns all types of fuel economically. May be installed for hand firing and later converted to oil or stoker firing.



Besmor 25 gas-fired boiler. The handsome boiler is small in size, yet high in efficiency. Potentiated staggered heat travel assures the absorption of all heat units delivered by the fuel, thus preventing waste. Jacketed in steel, baked-on enamel finish.



The Crane No. 16 boiler burner unit is the last word in automatic home heating. It incorporates sustained heat principles which assure the utmost heat from the fuel burned. A handsome steel jacket encircles both boiler and oil burner which are designed to work together for maximum efficiency!

Quicker rentals—faster sales—result when homes are equipped with modern Crane Heating. No matter what the size of the house—no matter where it is located—Crane provides exactly the heating system that will prove most efficient. For the Crane line includes boilers and warm air

furnaces for every fuel—for automatic or hand firing—oil burners and stokers, too. Each system incorporates exclusive Crane features and advantages—each assures year upon year of trouble-free comfort. Ask for complete information on Crane heating.

CRANE

CRANE CO., GENERAL OFFICES:
836 S. MICHIGAN AVE., CHICAGO
VALVES • FITTINGS • PIPE
PLUMBING • HEATING • PUMPS

NATION-WIDE SERVICE THROUGH BRANCHES, WHOLESALERS, PLUMBING AND HEATING CONTRACTORS

When a Soldier Needs a Bank

Here is the concluding instalment of BANKING'S report on the experience of banks in serving Army cantonments. The first appeared last month under the title "All We Do Is Sign the Payroll."

THE Petersburg banks care for the needs of Camp Lee, Virginia. Benjamin T. Kinsey, vice-president of the Citizens National, says that "quite a large percentage of the officers at Camp Lee maintain accounts with the Petersburg banks", most of these being the checking variety. Of the 22,000 men at Camp Lee, Mr. Kinsey estimates that less than one-eighth of one percent have either checking or savings accounts, which means that practically none of the enlisted men use bank service. However, Mr. Kinsey reminds that the officers are stationed at Lee indefinitely, whereas the men stay for periods of 13 weeks.

Junction City, Kansas, has two banks, both of which work together to take care of the needs of the 16,000 men at Fort Riley. No special services have been instituted. Many checks are cashed for enlisted men, reports H. W. Jacobs, president of the Central National, but not many have checking accounts, although there are some savers. Few loans are made to enlisted men, a number to non-coms, and many to officers. A borrowing officer is usually required to carry a checking account.

FORT KNOX—where the gold is—does not place an undue burden on the facilities of the First-Hardin National Bank of Elizabethtown, Kentucky. President M. L. Underwood says the men do their banking during the bank's regular hours. A very small proportion of them have checking or savings accounts. Loans are made to enlisted men only on a secured basis, and to officers, if they are in the regular Army, on their own signatures up to a reasonable amount. For reserve officers, the signature of a "regular" officer is required on loans above \$50.

Another bank with a camp branch is the South Carolina National at Columbia, which serves Fort Jackson. This unit is open from 11 a.m. to 1 p.m. daily except on pay day and the day thereafter when the closing hour is 4 p.m., says T. J. Lyons, cashier.

"A very good proportion of the officers carry checking accounts," Mr. Lyons states. "However, we do not have many accounts of the men in the ranks, although a few of them carry savings accounts."

The bank lends only to regular Army personnel.

Since last November the Florida Bank at Starke has doubled its personnel, equipped two additional tellers' windows and added mechanical equipment to help serve men stationed at Camp Blanding, seven miles from Starke.

At the time of writing, the bank, said President W. B. Sewell, had a few checking accounts of enlisted men and non-coms, "a very limited number" of officers' savings accounts and between 500 and 600 officers' checking accounts. In addition, there were several hundred serv-



In the lobby of the Florida Bank, Starke

ice accounts—battery, company, medical, mess, etc.

The banks of Lawton, Oklahoma, provide the same facilities for the men of Fort Sill—a regular Army post—as for the civilian population. Summarizing service to the soldiers, W. F. Barber, president of the American National Bank, writes:

"Very few checking accounts are maintained by service men. The same is true of savings accounts. A small percentage of the non-commissioned officers carry bank accounts. The commissioned officers nearly all maintain bank accounts either here or in some other Army town.

"We make loans to commissioned officers in reasonable amounts without any security. We make loans to enlisted men on the signature of their commanding officer, but most commanding officers are not willing to assume this responsibility."

The City National Bank of Mineral Wells, Texas, estimates that 25 per cent of the men at Camp Wolthers carry accounts, which are subject to service charges.

The bank lends only to officers, or upon their co-signatures.

At San Luis Obispo, California, Bank of America's branch got a substantial number of new accounts when Camp San Luis Obispo was opened a couple of months ago. W. H. Nuss, Jr., the manager, reported that about 80 per cent of the officers at the camp had checking accounts, and that there was some savings activity.

The bank's personal loan department extends credit to officers without co-maker.

The banks of Alexandria, Virginia, are providing such service to the Engineer Replacement Training Center at Fort Belvoir as is required, says Chester G. Pierce, secretary of the Alexandria Clearing House Association. "Large amounts of currency and coin are necessary, together with the opening of a great number of temporary accounts," he writes.

"Our banks are cashing personal checks on out of town banks for the reserve officers and generally do everything possible to aid Fort Belvoir."



Sell, Brother, Sell!

I. I. SPERLING

The author is assistant vice-president of The Cleveland Trust Company and is in charge of his bank's advertising department. He is also a former president of the Financial Advertisers Association.

HAS the president, or chairman, or comptroller of your bank asked you to reduce your advertising expenditures? If he hasn't, he probably will, and you ought to be in a position to defend stoutly the need for maintaining an adequate program. Of course this is nothing new to you because it is one of the perennials of bank advertising. Other business operations may have their worst problems when business is up or when business is down, but the problems of advertising seem always to be with us because everybody fancies himself as a public relations expert. Be that as it may, stockholders who have been on starvation dividends for a decade are beginning to ask why expenses (among which they include advertising and selling) cannot be reduced in order to produce more dividends. Similarly, bankers, seeing deposits in larger amounts going out to work as loans for the first time in a decade, are asking why their banks need to advertise when the business seems to be coming in anyway.

In this era when all the economic rules appear to be changing, history is still repeating itself in one respect—the managements of business concerns, swamped with defense orders, are being asked why they continue to advertise when they have more orders than they can possibly fill.

Here are some of the answers that foresighted and enlightened business and banking executives are giving for the continuation of advertising and good public relations:

THIS war, like all wars, will end, and when that time comes the favor of ordinary customers will again be courted. If neglected now, it may be difficult to regain. Advertising maintains the contact. Every bank has the job of seeing that it gets its share of the available loans and other kinds of business. Some of us may feel that our worries about banking are over; we see the constantly increasing deposits and the beginning of demands for legitimate loans. But these are not normal times.

Any banker who thinks his public relations problems are over now that the furor has subsided, or that American banking is again ensconced on a throne, need only listen to the wisecracks of his neighbors and friends at bridge parties, or read about some of the fantastic financial legislation that is still being proposed. This may only be the calm before the next storm. We should never be content to have public confidence in banks rest on abnormal conditions; we should have enough pride to build confidence in the basic soundness of private banking over the long pull.

There are certain essential facts and truths about banking and your bank, which are as fundamental as human nature itself, and which should have been impressed long ago upon the general public. This cannot be done in times of crisis and in lush times it usually isn't done, as in the parable of the man with the leaky roof. He said when it rained he couldn't repair it and when it didn't rain he didn't need to. If banking had been sold effectively in the past to the public, the impact of the depression would not have been nearly so great on financial institutions. Many of the notions and fallacies about banking and finance would never have survived the public ridicule of an informed public armed with facts—the best of all antidotes for the flood of economic cure-alls.

Unfortunately, there will be other periods of depression and perhaps the next one will be the grandfather of all depressions. Even though your advertising today may seem superfluous in obtaining immediate and direct business that seems to be coming in of its own accord, a program for the preservation of good relations in bad as well as good times is entirely in order. As an example of the value of consistently good public relations, consider the public utilities which, like banks, sell only service. Far-sighted utilities which long and ardently cultivated public goodwill, in season and out, certainly weathered the official disfavor better than their non-advertising brethren.

ADVERTISING is an accepted method of improving both public and customer relations for banks. It is an honest and sincere attempt, written and spoken, to educate and inform, to correct wrong notions, and to point out the economic and social function of banking to every individual, whether a depositor or not. No complete business success was ever created by advertising alone; it is an effective tool, but it is only a tool. One can't advertise a poor product or service successfully or permanently. To succeed even with the best of advertising, the goods or service must measure up to what the buyer or user has a right to expect.

Like advertising, customer relations activity has two roles in business and banking: one is creating pride and the other is providing a basis for preference. Pride is a useful and constructive phase of human nature. It makes the manufacturer or banker build his products or his service to an ideal, not because he is ordered to do so but because that product or service will bear his name. His pride of authorship, whether it concerns a loaf of bread or a checking account, is a very understandable trait of human nature and is responsible for merit in American products and services far beyond the minimum demands of the buying public. Such pride of performance is true of the banks which achieve public acceptance through intelligent advertising and service. People will seek not only the service but the prestige

C. C. Parlin, retired manager of commercial research for the Curtis Publishing Company, once told me an interesting story of how he sold a banker on the value of advertising. He and the banker were members of the board of an industrial corporation. The directors were considering the next year's increased advertising appropriation. The banker was skeptical. He said: "They tell me I am a hard-headed fellow and I do like to sharpen my pencil a bit. You're asking for an increased appropriation for advertising. Can you give me any tangible figures to indicate what you hope to achieve by the expenditure of this money?" Mr. Parlin relates that the advertising manager of the company, the company's advertising agent, and several directors attempted to answer the banker convincingly, but none of them, as might be expected, could provide actual figures. Advertising, not being an exact science, does not work that way. It came Mr. Parlin's turn to comment and he said to the banker:

"I don't know that I can answer your question any more conclusively than the gentlemen who preceded me. But I should like to have you consider this comparable situation: Let us say you have a boy in college whose education is costing you \$2,000 a year. You are a hard-headed man and like to sharpen your pencil. You call on your son at the end of his first year in college and you say to him: 'Son, you have reached the age where you should not thoughtlessly throw away a year of your life or \$2,000 of my money. What do you expect to gain in the next three years at school?' I am sure that he will be unable to give you any more convincing a reply than these gentlemen have given you with regard to the advertising appropriation. But at the end of four years, I am sure that you and your son will agree that the investment of his time and your money have been wise and profitable and will equip him that much better to sell his services in the world in which he is to make his livelihood."

such a banking connection implies, and if it is well deserved, out of loyalty they will leap to the bank's defense and become ambassadors of goodwill at critical times.

We need salesmanship and tact on the part of our employees to sell our customers and keep them sold on service charges, changes in interest rates, and other matters affecting them. We need salesmanship to get our customers to use the other services of our bank. And this courteous treatment of customers will open up a tremendous source of profitable new business—the affiliations of present customers. As the customers sense and appreciate this improved attention and service on the part of the staff, they cannot help but speak well of the bank to their relatives, friends and associates, organizations, business concerns and employees. This active goodwill is invaluable. Such a program means real profit. It will bring in new and keep old business.

It will reduce "turnover" of accounts; it will stimulate employee loyalty; it will make advertising productive.

Building confidence in banks is like building the bank itself—the job is never finished. It is not a job to be done only when depressions are here; as a matter of fact, then it is almost too late. It is a never ending job—year in and year out—and a bank doing it well will find itself so entrenched in the public esteem that no economic upheaval can greatly disturb it. There are plenty of examples in recent history of a few institutions whose policies and performances were so widely and favorably known that they actually registered their greatest gains during the depth of the depression.

In times like these the foundations for tomorrow's desirable banking connections are sometimes laid. You can't advertise for deposits today and expect them to come in tomorrow. Human nature doesn't operate that way and sooner or later banks will be searching the highways and byways for the business which now seems to be showering upon them so plenteously. Now is the time to plant the seeds that will bear fruit when desired.

Besides, it is the unusual that attracts attention. When almost everyone else seems to be curtailing advertising, the remaining advertisers benefit.

THERE is talk abroad in the land that business and banking are all for the Big Fellow. It is well to remember and to let the public know that the rule of diversification is a good one to follow in banking as well as in making investments. Even large national corporations pride themselves upon the widespread and ever-growing number of smaller stockholders that they have today. Yes, the Little Man (and that means the public-at-large) is having a busy day, listening and talking. Let bankers and financiers, through adequate public relations programs, see that the Forgotten Man doesn't forget some of the fundamentals of economics and banking which made the American nation great. That type of program is the best antidote for political panaceas, especially when backed up by such tangible proof of service for the man on the street as personal loans.

Let's not lean too far in the direction of *extreme* cost accounting. In these days of reduced earnings, it is of course essential for every bank to earn a fair return on the service it renders, but American banking in the past grew because it was willing to invest a certain amount of money in the cultivation of goodwill.

To pave the way for successful selling is only one phase of financial advertising. It can do much more than that. In varying degrees it can do these things:

By education and information, it can stabilize an emotional public and thus forestall hysteria and too restrictive legislation. It can help in the nation's preparedness program as it touches financing. It can restore the old-fashioned virtue of thrift. It can put idle money to work in the shape of loans. It can rebuild public confidence in the sanctity of trusteeship. It can, by building goodwill and confidence, safeguard the depositor's dollar and the stockholder's equity. Many of these are things far beyond the measure of dollars and cents. Fortunately, most bankers are rapidly becoming public-minded. They have faith in the efficacy of adequate publicity, advertising and public relations programs.

The Legal Answer Page

Checks—Careless Execution

Is the drawer of a check altered after issuance ever liable for the increased amount of the check?

YES. It is true that the great weight of authority is that the bank must bear the loss where it cashes a check which has been altered. However, an exception is recognized where the drawer of the check has been guilty of such negligence in its issuance as to facilitate and induce its alteration so as proximately to cause its payment in its altered form.

In this case the check was delivered to the payee “. . . with spaces, or blanks, left in such positions, and to such extent, as not only to facilitate, but invite, the filling in of additional figures and words requisite to present the appearance of a completed instrument.” Moreover, it was “written with pencil, with the words and figures altogether in the handwriting of the payee to whom it was delivered, thus not only preparing the way for the filling of the blanks in the same handwriting, rendering the additions impossible of detection, but conveying an implication of authority in the draughtsman to make additions thereto; . . .”

Futch v. Alexandria Bank & Trust Co. (Sup. Ct. Tenn., April 5, 1941), 149 S.W. (2d) 76.

Taxation—Treasury Bills

What is the tax status of U. S. Treasury Bills issued on or after March 1, 1941?

THE Internal Revenue Bureau has ruled in I.T. 3486, Internal Revenue Bulletin No. 27, July 7, 1941, that:

“Interest upon, and gain from the sale or other disposition of, United States Treasury bills issued on or after March 1, 1941, have no exemption, as such and loss from the sale or other disposition of such bills may not be specially treated, as such, under Federal tax Acts now or hereafter enacted. In the opinion of this office, under section 5(b) of the Second Liberty Bond Act, as amended by section 4 of the Public Debt Act of 1941, the amount of discount at which the bills are originally sold (issued) by the United States is to be considered as interest for the purpose of determining taxes as well as tax exemptions. Accordingly, the amount of such discount is includible in gross income as interest, separate and apart from gain or loss, if any, from sale or other disposition of the bills, and any gain or loss from sale or other disposition of the bills is recognized as such gain or loss, and is includible in or deductible from gross income under and subject to applicable provisions of the Internal Revenue Code, as amended. Where a bill is held by an original purchaser to maturity, the entire amount of the interest (discount at which issued) is includible as such in his gross income and there is no gain or loss. Following, in

principle, Treasury Decision 4276 (C.B. VIII-2, 83 (1929)), where a bill is sold or otherwise disposed of before maturity, the interest (discount at which issued) is to be prorated and apportioned among the original and other holders according to their respective holding periods (computed on an actual calendar-day basis). That Treasury decision also sets forth the proper computation, together with four examples, of gain or loss, if any, realized or sustained by each of the original and other holders in such cases.”

Unemployment Tax

Shall a nominal or honorary officer, who receives no compensation and performs no services, be counted in determining whether the corporate employer has sufficient employees to be subject to the Unemployment Tax Act?

THE United States District Court for the District of Colorado recently answered this question in the negative.

The action before that court was instituted by a Colorado corporation against the Collector of Internal Revenue for Colorado for a refund of the unemployment taxes paid by the employer. The point at issue was whether Mrs. Low, wife of the president of the plaintiff, Richlow Manufacturing Company, who, during the years in question, was the secretary of the corporation, was therefore and for that reason an employee of the corporation within the meaning of the Social Security Act of 1935, which imposes an excise tax on employers of eight or more persons. Without including her, the corporation did not have eight employees for the required period of time during any one of the taxable years for which the refund is sought.

The plaintiff company conducted a wholesale business in the manufacture of extracts and fruit flavors for soda fountains, etc., and Mrs. Low during all the time mentioned was an officer, i.e., secretary of the corporation, receiving no compensation for performing the duties of secretary. The only services she performed as secretary were those provided for in the by-laws, that the secretary shall keep a full record of all meetings, attest the signature of the president to all instruments, countersign all certificates of stock, keep books and other corporate records, as required by law or order of the board of directors.

The District Court found that it was not the intent of the Act to afford protection in this situation. Since Mrs. Low was not receiving pay or compensation for her so-called services, her financial ability to care for herself and her family cannot be affected by the loss of her position especially where, unlike other beneficiaries, she has made no contribution to the fund. *Richlow Mfg. Co. v. Nicholas, Collector of Internal Revenue* (District Court, D. Colo. April 30, 1941). 38 Fed. Supp. 864.

Miss Catherine M. Krieg, Secretary to Robert V. Fleming, President of Riggs National Bank, Washington, D. C. and Past-President of the A. B. A. Miss Krieg types noiselessly on her Remington.



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Oversight Insurance

HORACE ERVIN

The author is with the advertising firm of Albert Frank—Guenther Law, Inc., New York City

THE "Errors and Omissions" insurance policy, whose very title provokes embarrassed coughs for the brittle frailty of human nature, owes its existence to cases where mortgagees, thinking their interests amply protected, have found them lamentably impaired because somebody failed to make sure that protection was adequate and in force.

It sometimes happens that when a bank has a mortgage interest in numerous properties, through a slip here, an oversight there, all is not well with insurance protecting that interest. It may not be issued or renewed; it may be inadequate or invalidated.

HERE are examples of how loss may reach your bank: (1) mortgagor's failure to furnish insurance; (2) insufficient insurance; (3) non-compliance with co-insurance requirements; (4) delay in transferring insurance on purchased properties; (5) incorrect description of property location; (6) error in binding a risk before actual policy is issued; (7) error in connection with term of insurance; (8) failure to renew.

Numerous hitches, such as these, can disqualify protection of the mortgagee interest unawares. Yet, although Errors and Omissions covers lack of insurance for certain factors, it is not to be construed as giving *carte blanche* to snub the question of coverage. The policy presupposes the bank will make every effort to keep its mortgaged properties insured. Its intent is to cover only errors and omissions that creep in regardless of the best efforts to prevent them. One court said this about the policy: "Mere passive inaction resulting from a failure to perform a duty is not an error or omission such as is contemplated by the terms of the policy . . ."

The constructive thing about Errors and Omissions is that it is intended to drive another nail into the security of mortgage loans. For while the property owner is not absolved from his bona fide mortgage debt by the occurrence of hazard, damage by uninsured fire or lightning may indeed impair the mortgage security.

Technically, the policy is designed to cover loss to a lender through failure of insurance protection on mortgaged property, due to error or unintentional omission by an officer, employee or agent of the lending institution. The protection afforded the mortgagee is what would have been collected if insurance were, roughly speaking, "normal" and in force. This does not mean that the entire property is covered. Indeed, in one form, not even the mortgage debt is completely covered in the sense that the bank can emerge from the fire with a full pocket of coin equal to its entire interest. To indicate why not, it is necessary to examine the Errors and Omissions form in general use.

FORM 1. (Used in eastern states and, somewhat similarly, in Middle West, Southwest and Pacific states)

In this narrower form the mortgagee receives only that part of the mortgage debt not covered by insurance and not covered by the value of the remaining property—land plus building.* Here is an example:

Assume that the land is worth \$4,000 and the building \$10,000, a total of \$14,000. The bank's mortgage is \$6,000 and the insurance carried \$9,000.

Along comes a fire, causing a \$4,000 loss. This is not covered by the fire policy which is discovered to be, through an error or omission, not in force.

Let us see what Errors and Omissions Form 1 does:

The remaining value of the \$10,000 building after the \$4,000 fire is \$6,000. The value of the land remains \$4,000. Therefore the new value of the land plus the building is \$10,000. This amply covers the mortgagee's interest of \$6,000, which is thus considered unimpaired. No loss is payable under the policy.

If in this case the fire had caused total loss (\$10,000), the mortgagee would be considered to enjoy \$4,000 worth of security in land value. Its entire financial interest being \$6,000, the bank would then receive \$2,000 under Errors and Omissions protection.

FORM 2 (Eastern states only)

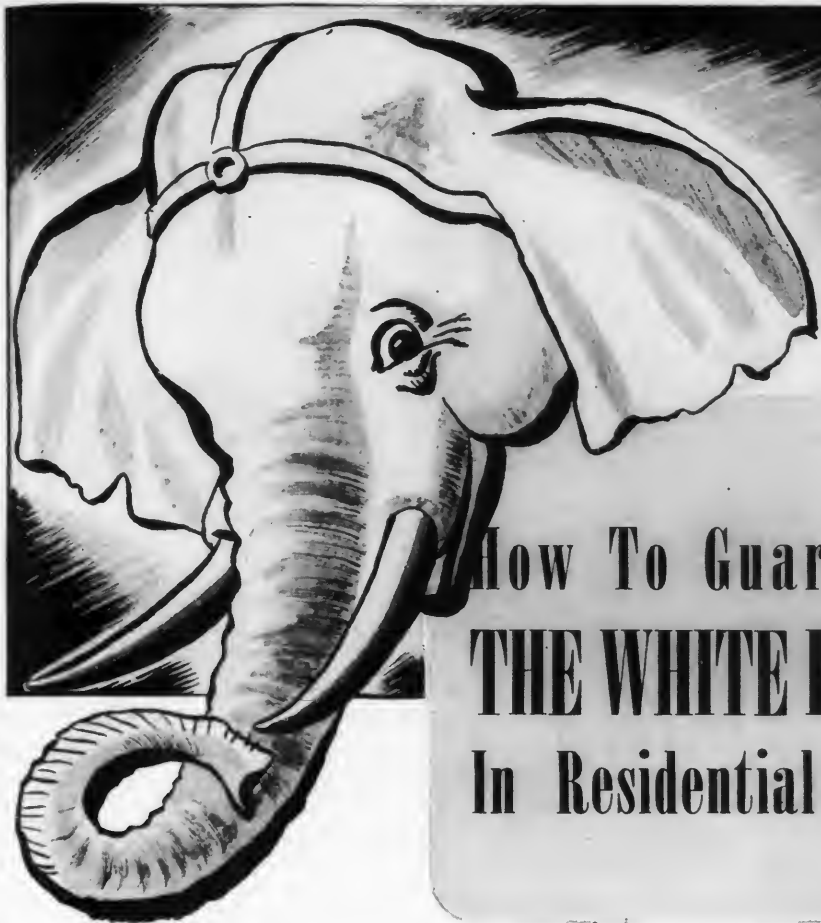
Under this broader form, payment of loss is not affected by the value of the remaining property. The \$4,000 fire loss would therefore be payable in full (being less than the \$6,000 mortgage interest). If a total loss had occurred, the mortgagee would recover his entire financial interest.

It is important to note that only Form 2 covers the bank's interest as executor, trustee, guardian or "in any fiduciary capacity".

IF the company underwriting the fire policy by chance becomes insolvent at a critical juncture, the bank is not covered under the Errors and Omissions policy. If the bank fails to exercise due diligence in maintaining insurance, Errors and Omissions protection is voided. And the bank may be called upon to pay premiums on the regular fire policy if the property owner fails to do so. The insurance company paying loss under the Errors and Omissions policy has the right of action against the property owner (subrogation). If a loss occurs 11 days after discovering that insurance is invalid, it is not covered. The policy does not protect the property owner.

The theory of this insurance is sound. In actual practice certain objections, as to coverage and cost, have been voiced. At the present time, a study of the form is in progress with a view to broadening coverage and bringing rates to more satisfactory levels.

* Amounts received under other policies are of course deductible, too.



How To Guard Against THE WHITE ELEPHANT In Residential Mortgages

Even a new home can be well on its way toward premature obsolescence—if its *operating equipment* does not measure up to standard. So when you examine a residential mortgage risk, consider this vital factor carefully and avoid having a white elephant on your hands in case of default.

Well built, efficient operating equipment reduces obsolescence, improves saleability,

and thus assures a sounder mortgage risk. General Electric wiring systems, heating plants, and kitchen appliances are unsurpassed for long life and *enduring economy*. And their low operating cost and low maintenance expense have an important effect on the borrower — for what a house costs to LIVE IN directly affects his ability and his willingness to pay.

NEW G-E BOOKLET SHOWS IT CAN COST LESS TO LIVE BETTER

The G-E Home Bureau has recently published a booklet that demonstrates the effect high-quality operating equipment can have on the cost of home ownership—a new approach to sounder mortgages. A free copy will be sent upon receipt of coupon.



General Electric Home Bureau, Dept. B-418
1285 Boston Ave., Bridgeport, Conn.

Please send me a copy of YOUR NEW HOME AND YOUR
POCKETBOOK.

Name.....

Address.....

City.....

State.....

GENERAL ELECTRIC

Commingled Trust Funds

G. HEBERTON EVANS, JR.

The author is associate professor of political economy at the Johns Hopkins University.

THE commingled trust represents an attempt to solve the problems of managing small estates. To procure adequate diversification for small sums that are separately administered is virtually impossible, and the cost of doing what can be done is necessarily high. Both problems have been met in part by the idea of the commingled fund, by means of which a number of small estates—or at least their assets—are pooled. The estates themselves hold shares or certificates of beneficial interest in the common trust fund that owns the securities purchased with the combined resources.

Certain legal difficulties have arisen in connection with the operation of these commingled funds. In the first place, there is some doubt that a trustee has the power to pool the assets of one trust estate with another unless he specifically has such authorization. But there would be perhaps more important legal difficulties. The trustee might be directed to invest only in bonds legal for savings bank investment in a specified state. In the event that the commingled fund operated by the trustee in question contained non-legals in its portfolio, the assets of the trust could not be commingled. Other situations or trust provisions that would preclude commingling of a particular estate, even though the trustee specifically had the legal right to commingle, could be set forth.

IN addition to the sort of legal difficulties referred to above there is a serious error in the investment theory upon which the commingled fund is based. The error lies in the failure to recognize the fact that each trust beneficiary or individual investor has his or her own particular needs which must be met in part or whole by the investments. The commingled trust does not permit allowance for this variation to be made. Each beneficiary participating in the fund has the same kind of investments put together in the same proportion as any other beneficiary. The differences among them are only quantitative.

Investment is essentially a problem of combining the investment qualities of securities to procure the composite grouping that meets most satisfactorily the needs of a given investor. These qualities in their proper proportions are rarely if ever found in any one security which could be held by a particular individual in varying amounts as his economic condition changed. Investment must inevitably require combination of investments and a compromise. The latter is necessary since the qualities that the investor wants are often in conflict—if he wants some of one quality, he must sacrifice some other quality. For example, if the investor wants reversibility (the power to change his investment into approximately the

same amount of dollars as he originally put out), he must sacrifice yield. Short-term, high-grade, highly-marketable bonds are highly reversible (if bought today they could at any time be turned back into about the same number of invested dollars), but the yield would be very low at the present time. Another example will help to make the point clearer. Common stocks have traditionally been a protection against inflation and they have provided a means of participating in the growth of industry. But the investor in common stocks cannot look forward to a fixed dollar income or to stability of dollar value.

THE investor's problem, then, is to combine investments that have conflicting qualities in the manner that most suits his needs. This is an individual problem. It cannot be dodged. It can be transferred to others but in the transfer the personal elements must not be lost. Trustees cannot afford to commingle funds and thereby cause all beneficiaries under their protection to have the same combination or mixture of investment qualities. If they do, they will experience the same disastrous history as the investment trusts in the United States. Many of these latter organizations have tried to offer the shareholders (or holders of certificates of beneficial interest) a complete investment service. They have tried to give the subscriber a participation in equities, in long-term bonds, and in short-term securities; they have tried to maintain real values as well as dollar values; they have tried to give a more or less fixed dollar income and at the same time a steady real income. They have tried the impossible, and the whole investment trust movement—so necessary for our investment process—has suffered accordingly.

THE way out of the errors of the commingled fund idea (and the whole investment trust idea as well) must be found. It is only through diversification, which is a basic feature of the commingled fund, that proper investment can come about. This feature of our investment mechanisms must be preserved. At the same time, however, each investor—or someone acting for him with a knowledge of and interest in his particular problems—must combine the qualities of investment to suit his own needs.

The solution, therefore, would seem to be the organization of a number of investment trusts or companies employing diversification—but each offering as small a range of investment qualities as possible. A trustee could then purchase for each estate such shares or certificates of beneficial interest in these institutions as would meet the needs of a particular trust agreement and/or the needs of its beneficiaries.

There are a number of narrowly defined investment institutions that might be set up. In the first place, there

might be one that acquired the most popular common stocks. This company (or trust) would offer a diversified list of equity investments that would tend to move as the stock market as a whole. It would presumably offer some protection against inflation and some participation in the growth of industry. In the second place, a group of long-term, high-grade, highly-marketable bonds that were legal for savings bank purchase might be bought. Equal amounts (in terms of par value) of these securities would be purchased to mature each year between 10 and 30 years. As each year one-twentieth of the portfolio moved up to a 10-year maturity it would be reinvested in bonds of 30-year maturity.*

SUCH a company (or trust) should yield a return that is somewhat higher than a savings bank could obtain because it would not need to hold short-term, low-yield securities. It should produce a stable dollar income. In the third place, a company (or trust) could hold a diversified group of short-term bonds. This group of securities would provide liquidity.

Such variants of the above separate investing institutions could be created as best suited the needs of the different trusts to be administered. The trustee could then combine interests in some or all of these in any desired proportions to meet individual needs. For example, a trust could easily be conceived that could best be carried out by buying interests in only the first and second of the above sketched funds. Or again, a situation can easily be imagined in which investment in only the first fund would be appropriate.

To force investors or beneficiaries to possess a stake in investment qualities they neither want nor need is undesirable. Investment qualities must be paid for, and if a trustee buys for a trust something that is unnecessary, he is doing his work in an uneconomic manner. When, for example, a trust fund that does not need liquidity is mingled with other trusts into a fund that possesses short-term securities, it is, through a lower yield than is necessary, paying for liquidity that it does not need. Under the idea proposed above such an uneconomic application of trust funds would not need to occur.

* Assuming it would not have to be switched in part or whole to other purposes as the needs of the beneficiaries participating in that trust changed.

MANUFACTURERS TRUST COMPANY

Condensed Statement of Condition as at close of business
June 30, 1941

RESOURCES

Cash and Due from Banks	\$338,701,838.74
U. S. Government Securities	346,935,912.81
State and Municipal Bonds	26,948,648.60
Stock of Federal Reserve Bank	2,242,450.00
Other Securities	41,506,040.41
Loans, Bills Purchased and Bankers' Acceptances	246,503,520.27
Mortgages	18,642,239.78
Banking Houses	11,907,189.52
Other Real Estate Equities	2,996,969.62
Customers' Liability for Acceptances . .	6,187,342.83
Accrued Interest and Other Resources .	2,303,940.94
	<u>\$1,044,876,093.52</u>

LIABILITIES

Preferred Stock	\$ 8,592,780.00
Common Stock	32,998,440.00
Surplus and Undivided Profits	40,986,644.69
Reserves	4,904,097.97
Common Stock Dividend (Payable July 1, 1941)	824,959.50
Preferred Stock Dividend (Payable July 15, 1941)	214,819.50
Outstanding Acceptances	6,670,371.89
Liability as Endorser on Acceptances and Foreign Bills	206,735.78
Deposits	949,477,244.19
	<u>\$1,044,876,093.52</u>

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67 BANKING OFFICES IN GREATER NEW YORK

European Representative Office: 1, Cornhill, London, E. C. 3

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Member New York Clearing House Association
Member Federal Deposit Insurance Corporation

Both Common and Preferred shares have a par value of \$20 each.
The Preferred is convertible into and has a preference over the
Common to the extent of \$50 per share and accrued dividends.

METHODS and IDEAS

This department of **BANKING** is conducted by our **Methods and Ideas** reporter, **John J. McCann.**

Money Order Service

AS A SERVICE to people who want it, the ALAMO NATIONAL BANK of San Antonio, Texas, has developed its own form of a bank money order which is proving very popular.

San Antonio has a large proportion of Mexican population, explained J. O. McCaskill, vice-president. Many of them were making monthly remittances to the Home Owners Loan Corporation. Not being able to read or write, they came in and bought a cashier's check, with the result that the HOLC did not know from whom it came.

So the bank developed a bank money order which carries the remitter's name. The bank gives him a receipt which

shows to whom he remitted the money and the amount, and when he bought the order. He only pays 10 cents for that service and when he buys it the bank gives him an envelope addressed to the HOLC.

Of course, the order can be used by anybody wishing to send a remittance.

Credit Safeguard

SINCE ANNOUNCEMENT of its credit life protection plan last January, more than 100 Texas banks have inaugurated reserve loan credit life protection programs. This represents 12 per cent of all Texas banks and indicates the trend of interest in modern protective measures that safeguard the interests of both lender and borrower. The plan provides payment of debt to the bank if the protected customer should die, release of collateral to family, additional willing co-signers, and low cost to the borrower. It prevents the necessity of foreclosure in the event of borrower's death, embarrassment to co-signers, and ill-will by forcing estate problems.

Fixed-Income Trusts

THE LAND TITLE BANK & TRUST COMPANY of Philadelphia advertises a trust service under which trusts may be created providing a fixed regular income payment to beneficiaries. This would be accomplished, if necessary, by using part of the principal to provide income payments. In a statement to the press explaining this new form of trust President Percy C. Madeira said:

"When an individual creates a trust, his prime purpose is to make certain of a definite income for members of his immediate family. THE LAND TITLE BANK & TRUST Co. believes that future trusts should be drawn so as to provide for regular payments to the beneficiaries, regardless of fluctuations in income.

"The changing economic situation and the difficulty of finding sound investments offering a satisfactory yield make it difficult today to forecast with any certainty that earnings on principal in the future will return an income of sufficient size to meet the needs of the beneficiaries."

Barnet L. Rosset, president of the Metropolitan Trust Company of Chicago, discussed "Trusts for Modern Needs" in the May issue of **BANKING**,

GREATER VALUE IN THE HOME

Gives

ENDURING SECURITY TO THE MORTGAGE



Professional For Home Planners
4-SQUARE HOME BUILDING SERVICE

26 LEADING AMERICAN ARCHITECTS Design 50 Patterns of Modern Homes

When the desire for a house turns into love of the home, there comes a determination for continued ownership that provides the finest security for any mortgage.

To help people get the sort of home that gives them lasting satisfaction, Weyerhaeuser commissioned 26 leading American architects to cooperate with Weyerhaeuser engineers and design 50 modern homes — patterns showing the

enduring value of authentic architectural design, expert room arrangement, strong solid construction.

These fifty 4-Square Home designs offer wide variety in style, size and price. They are available to prospective home owners through 4-Square lumber dealers. They include elevation drawings, blue prints, and specifications. They can be built as they are, or used as patterns.

These fifty designs illustrate the bigger value that expert professional skill can obtain. Making maximum use of standard, ready-to-use material, employing the principles of good construction, avoiding fads in design, architect and engineer have created greater value for the dollar — low cost, convenient, comfortable homes of maximum resale value.

The 4-Square lumber dealer in your community can render valuable personal service to you and your clients. He knows local building conditions. He knows building materials and can advise on their proper selection and use. He knows the builders who specialize on homes, commercial buildings and heavy construction.

Write for the Weyerhaeuser 4-Square Book of Homes. It can be very helpful to your real estate department.



4-SQUARE LUMBER

Improved, ready-to-use 4-Square Lumber is the best and most economical material for home construction. Correctly seasoned and available in a species and grade for every structural need. It is precision manufactured. Exact lengths and sizes eliminate needless saving, fitting and material waste. This saves time and materials in construction. Its squared ends and edges make for tight joints, full bearing and better workmanship.

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WEYERHAEUSER SALES COMPANY

2053 FIRST NATIONAL BANK BUILDING
SAINT PAUL, MINNESOTA

in which he advocated use of part of the principal fund for the payment of fixed incomes to trust beneficiaries.

Employee-Customer Relations

Vacation-bound employees of the COLONIAL TRUST COMPANY of New York receive from President Arthur S. Kleeman before leaving a supply of individual business cards, accrediting them to "Customer Service". Accompanying the cards is a letter from Mr. Kleeman explaining the motive for this gesture. The letter reads, in part:

"It occurs to me that you might enjoy having your own business cards to use in case you wish to leave your name and address with any new friends whom you meet while you are away. Therefore, I am sending you a supply with my compliments. We give you the title of being connected with Customers' Service because I am sure you will agree with me that we all belong to that department, no matter what work we do in the bank.

"If you should use any of the cards to solicit business for the bank while you are away . . . please be sure to ask the customer to show your card or mention your name when in the bank so that you can receive credit for bringing in a new client."

Business Development

THE MISSISSIPPI VALLEY TRUST COMPANY of St. Louis launched its business development department in April 1937. How well it has succeeded is indicated in the first quarterly report for 1941. During those three months, 961 new accounts were obtained from 2,132 interviews. That compares with 785 new accounts from 2,374 interviews during the same period in 1940. The ratio of new accounts to interviews has steadily risen since the activity was launched.

Perhaps the factor most responsible for the consistent growth of the MISSISSIPPI VALLEY's business development department is the enthusiastic participation in its activities by top officers as well as rank and file employees.

"While participation of every officer is allegedly compulsory," explains Vincent Cullin, the department head, "the net result would be negative unless they voluntarily and enthusiastically took part in the program. During the first three months of this year 33 of the bank's 39 officers made 429 calls on prospective new clients and produced 286 new accounts. For the same period in 1940, 32 officers made 433 calls and produced 222 new accounts."



John McKenzie, Commissioner of Docks, left, and Henry C. Brunie, president, Empire Trust Company, New York, right, signing a lease between the city and the bank for an Empire Trust branch in the administration building at the LaGuardia Airport. The airport bank will be opened about August 15 and will be the first banking office at any airport in the world



The First National Bank of Chicago

Statement of Condition June 30, 1941

ASSETS

Cash and Due from Banks,	\$447,255,627.48
United States Obligations—Direct and fully Guaranteed, Unpledged,	\$361,529,256.23
Pledged—To Secure Public Deposits and Deposits Subject to Federal Court Order,	45,685,166.73
To Secure Trust Deposits,	41,486,186.62
Under Trust Act of Illinois,	519,509.54
	449,220,119.12
Other Bonds and Securities,	77,319,687.53
Loans and Discounts,	354,132,748.90
Real Estate (Bank Building),	5,187,312.83
Other Real Estate,	881,041.21
Federal Reserve Bank Stock,	2,100,000.00
Customers' Liability Account of Acceptances,	1,765,513.67
Interest Earned, not Collected,	3,022,995.24
Other Assets,	145,602.83
	<u>\$1,341,030,648.81</u>

LIABILITIES

Capital Stock—Common,	\$ 30,000,000.00
Surplus Fund,	40,000,000.00
Other Undivided Profits,	3,948,933.22
Discount Collected but not Earned,	732,771.87
Dividends Declared, but Unpaid,	750,000.00
Reserve for Taxes, etc.,	2,441,607.00
Liability Account of Acceptances,	1,879,238.72
Time Deposits,	\$184,134,860.05
Demand Deposits,	962,330,016.17
Deposits of Public Funds,	114,811,130.12
	1,261,276,006.34
Liabilities other than those above stated,	2,091.66
	<u>\$1,341,030,648.81</u>

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Six men working under Mr. Cullin's direction devote their entire time to the development of new business. In addition, 57 employees, whose participation is on an entirely voluntary basis, take an active part in the program. Forty-nine of these employees produced 181 new accounts out of 332 calls during the first quarter of 1941. Employees receive a commission on all new business they produce and many of them have substantially increased their income through this activity.

The 961 new accounts in this year's first quarter included 173 checking and 114 savings accounts. There were 13

executors, five trusteeships, four life insurance trusts, two agencies, two living trusts, 564 loans, 12 increased demand balances, and 34 safe deposit box rentals.

Pillars of Income

FIRST NATIONAL BANK of Clarksville, Tennessee, continues its outstanding program for local farm development. Recently, President C. W. Bailey distributed an open letter and invitation from a new customer—an authority on sheep raising—to farmers of the trade area. The customer, manager of the Red River sheep farm—largest in the area—

offered to entertain all guests on personal inspection tours of the farm. The letter outlined the Spring schedule of breeding, new shipments and other activities and specifically invited attendance on these occasions. The customer also included a personal paragraph or two on his previous experience in other sections of the country and his wholehearted endorsement of Clarksville as ideal sheep country. The four-page letter carried photographs of the farm and prize-winning stock at various shows.

Draftees

A GOOD THOUGHT in public relations: The ROCHESTER (N. Y.) TRUST & SAFE DEPOSIT COMPANY inscribes the names of employees on leave for military service on an attractive lobby display plaque. Copy reads at top: "In Military Service of the Nation," and "Members of the ROCHESTER T & S Co.'s ORGANIZATION." The list indicates name, rank and location of present training quarters. This seems to be an appropriate way to honor the men and at the same time impress customers with the organization's contribution to the man power of national defense.

Hobby

THERE ARE a thousand and one human interest stories happening in a bank every day—stories that rate front page publicity, if only some one would catch the spirit of presenting them. Example: When one of FORT WAYNE (INDIANA) NATIONAL BANK'S customers, Walter E.



Sommer, made a 52-pound deposit of 7,194 pennies Assistant Trust Officer F. A. Schack snapped a picture of the bushel-basket deposit dumped on the teller's window for counting. This together with the story of how the depositor began collecting mint-dated pennies five years ago made the first page, second section, of the Fort Wayne *News-Sentinel*.

Summer Special

THE LINCOLN NATIONAL BANK, Newark, New Jersey, gives an interesting report on its "Summer special" safe

A Department Organized FOR SERVICE

St. Louis is not only a most important commercial and financial center, it is the gateway to the great Southwest trade territory. It is a most logical city in which to establish a correspondent account.

Here at Mercantile-Commerce the Banks and Bankers Department has been organized and developed to render the most helpful type of service. Its personnel has had actual, practical experience in the needs and problems of out-of-town banks.

MERCANTILE-COMMERCE

Bank and Trust Company

SAINT LOUIS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

deposit box promotion. The bank lets any sized box — sufficient to care for the customer's needs — at 50 cents per month for the Summer period. At the end of the last campaign, the bank succeeded in converting six out of every 11 special rentals into year-round contracts—a result rarely accomplished in ordinary month-to-month business during the Summer season. Although the idea of "bargain" Summer rentals is by no means a new idea, it may serve to remind some banks of the opportunities for developing business in August—the largest vacation month in many sections.

Passbook Covers

CURRENT NATIONAL INTEREST in special banking accounts has brought about some interesting innovations in passbook cover designs. Paper wrappers to fit one posting machine style passbook are being issued for both personal tax accounts and Savings Bond accounts. This simple device converts



the regular passbook to special accounts inexpensively. Other similar devices appear in the form of passbook jackets with effective red, white and blue designs.

THE LINCOLN NATIONAL BANK AND TRUST COMPANY of Syracuse, N. Y., for example, issues a jacket featuring the familiar minute man insignia of Defense Bonds with bond and safe deposit copy on the reverse side.

Contract Information

AS AN AID TO DEFENSE production on the West Coast, the BANK OF AMERICA recently established a Defense Contract

Information Office in Washington, D. C. Information data assembled by the office with respect to contracts, priorities, etc., are to be relayed to all branches and there made available to local business men and manufacturers. In line with this very practical "on the spot" observation service, B of A has instructed all branches to make an exhaustive survey of all local concerns with contract possibilities.

Bond Purchase Plan

RIVERSIDE TRUST COMPANY of Hartford, Connecticut, has introduced the monthly-bond-deduction plan. Upon

proper authorization, the company charges an individual's checking account for the cost of one or more bonds on a specified date each month. The bonds are purchased and delivered at any time after the date of issue. No charge, of course, is made for handling the transaction. This plan is quite similar to the deduction programs in effect in many savings institutions.

Mechanical Banks

THE LITCHFIELD (CONNECTICUT) SAVINGS SOCIETY reports unusual publicity on an exhibit of mechanical banks, loaned through the courtesy of

A Straight Line IS The Shortest Distance

ALL institutional investors have one problem which recurs periodically—that of making changes in their investment positions *expeditiously*.

As investment dealers we are able to offer maximum assistance in this respect. Because our services include expert and close contact with markets in *all* types of bonds, we usually know where demand exists. In other instances, we buy bonds directly from our customers—and in this manner accomplish *completely and immediately* what otherwise might be achieved only *piece-meal and slowly*.

When institutions wish to purchase securities, corresponding advantages to our customers prevail. We usually know where they can be obtained most economically; in other instances they can be secured directly from us.

It is our sincere belief that this customer-dealer relationship is of tangible value to many institutions. It may be that we can be of such assistance to you as well.

R. W. Pressprich & Co.

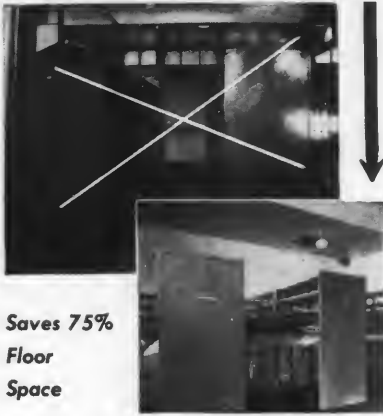
68 WILLIAM STREET, NEW YORK

36 Pearl Street
HARTFORD

201 Devonshire Street
BOSTON

GOVERNMENT, MUNICIPAL, RAILROAD,
PUBLIC UTILITY AND INDUSTRIAL BONDS

END LOCKER ROOM EVILS



Saves 75%
Floor
Space

● Checkroom efficiency is possible with these sturdy, well ventilated racks, which have complete accommodations for 4 people per running foot.



Office Valet Racks
From 6 person capacity and up. Sold in any length, 3 feet and up. Accommodations for Coats, Hats, Rubbers and Umbrellas.

Write for catalog

VOGEL-PETERSON CO., Inc.
The Checkroom People
1804 N. Wolcott Ave., Chicago, U. S. A.

Serving the Business that Builds Baltimore

SINCE 1894



MARYLAND TRUST COMPANY BALTIMORE

Member of the Federal Reserve
System and of the Federal Deposit
Insurance Corporation

William F. Ferguson, treasurer of the BANK FOR SAVINGS, New York City. This collection of 75 early savings devices earned four full columns in the local press and attracted a host of customers and friends. The newspaper story related the history of several century-old items and described the romantic and in some cases the political significance of other coin bank designs. The interest aroused by the exhibition has prompted the bank to line up a series of lobby displays of old coins, stamps, local hobbies, etc.

Production Line

THE INDUSTRIAL NATIONAL BANK of Detroit puts consumer credit on a production line and eliminates the bottleneck in application checking and the mailing of past-due notices. The idea of a "control board", borrowed from a survey of production control methods in manufacturing, makes it possible to give finger-tip information to all application inquiries whether they be made at any branch, the credit desk, or on any of the six floors of the main office. The status of each application is run across the master control board at each stage of investigation. This eliminates one of the greatest problems of large loan operation—answering inquiries. About 75 per cent of applications flow through the department in 24 hours and the remainder in 48 to 72 hours.

The bank also claims to have saved thousands of dollars by substituting this system of checking delinquents for the maturity tickler. The bank's 60,000 numerically numbered accounts are reviewed every five days—Monday through Friday. Three expert "turners" examine an average of 12,000 ledgers each morning and pull each ledger indicating a payment delinquency. The same turners manage to send past due notices to all delinquents found in each daily lot. The ledger cards are then forwarded to the collection desk for telephone follow-up. On this basis the bank estimates that 90 per cent of the so-called technical delinquencies of a day or two past due are eliminated. It is not unsound practice to wait a week to make a first follow-up. If the case is cleared within the first week of delinquency the card is returned immediately to the files with notations of collection data.

Customer Meetings

GRANITE TRUST COMPANY, Quincy, Massachusetts, is sponsoring an unusual series of customer meetings—inviting small groups of patrons to hear lectures on subjects of varied interests.

Do you hold, or act in
a fiduciary capacity for
holders of, Railroad Securities?

Our New and Improved 1941 Issue
**"GUIDE TO RAILROAD
REORGANIZATION SECURITIES"**
is now available



This book contains all New Plans of Reorganization and all the changes in prior plans, together with detailed maps of each system. 34 railroads analyzed.

Every bank and trust company should have a copy

(Limited Edition.) There will be only one printing.
Price \$5, including N. Y. City Sales Tax

PFLUGFELDER, BAMPTON & RUST

Members New York Stock Exchange

61 Broadway New York

PFLUGFELDER, BAMPTON & RUST, 61 Broadway, New York

Please send me a copy of your Guide to Railroad Reorganization Securities.

Enclosed is check for \$5. Send bill for \$5.

If I am not entirely satisfied with the Guide, I may return it within five days after receipt.

NAME

ADDRESS

Guests meet at the bank between 4 and 4:30 p.m. After each talk there is an hour or more devoted to questions and answers. Attendance averages 50 at each meeting. Invitations are restricted to only those who have, in a business way or otherwise, especial interest in the lecture subject. Headline speakers have been scheduled.

Streamlined

LA SALLE NATIONAL BANK, Chicago, has the last word in practical banking room design. Marble and steel are conspicuous by their absence. Walls, pillars, panels, counters—in fact the entire interior—is natural-finish butternut wood, soft in tone and richly grained. Conventional teller wickets are eliminated entirely. At the two-level wood counters, which conceal the handling of cash and checks but impose no obstacle to friendliness, metal flower containers bear a standard with each teller's name and inject a "living room" atmosphere. Inset fluorescent lighting, modern carpeting, hand-made French period furniture,



HENDRICK BLISSING

The bank's doors open automatically by means of the "electric eye"

drapes and Venetian blinds, bookcases apparently containing the classics but in reality concealing bank records, metal bracket lamps on walls and pillars contribute to a congenial, but not-too-strictly-businesslike atmosphere. Every department has its own conference room, with desk, leather chairs, cabinet and telephone. All equipment is mobile to provide instant change for efficiency and expansion.

To the Editor:

I READ in the June issue of BANKING (page 68) the item regarding service charges adopted by the FIRST STATE BANK of Caddo, Okla.

I am surprised, with research availability, that a bank making a charge in this day and age wouldn't go "all the

way". I wonder if the Caddo bank has figured out how much they lose on accounts averaging \$50 or how much they make on a 50 cent charge with five free items. I presume little or no attention is given to items deposited, cashed for depositors, or float?

I don't say that our own method is best. I do say it covers everything and with a minimum of effort and without change of equipment.

In the service charge column on our customer's statements we record, in dollars and cents, the assessment for each day's activity, including float, out-of-town items cashed or deposited,

checks drawn. In addition to that is a 35 cent maintenance fee, and a credit of 2 cents per \$10 is allowed against total charges for minimum balance maintained.

We don't know of any other banks using this method, but it works well, it lessens the work of the clerks, it is simple and understandable, it has been accepted by our depositors, it has resulted in building balances and it has doubled our income from this source.

Yours very truly,
H. G. VINCENT, *President*
State Savings Bank
Otsego, Michigan

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

Statement of Condition, June 30, 1941

RESOURCES

Cash and Due from Banks	\$ 613,604,317.32
United States Government Obligations, Direct and Fully Guaranteed	794,435,700.00
Other Bonds and Securities	66,330,861.06
Loans and Discounts	248,168,150.26
Stock in Federal Reserve Bank	2,700,000.00
Customers' Liability on Acceptances	559,572.83
Income Accrued but Not Collected	2,660,422.95
Banking House	12,150,000.00
Real Estate Owned other than Banking House	2,315,500.67
	<u>\$1,742,924,525.09</u>

LIABILITIES

Deposits	\$1,609,637,608.67
Acceptances	613,189.50
Reserve for Taxes, Interest and Expenses	5,014,513.33
Reserve for Contingencies	17,359,273.31
Income Collected but Not Earned	395,403.99
Common Stock	50,000,000.00
Surplus	40,000,000.00
Undivided Profits	19,904,536.29
	<u>\$1,742,924,525.09</u>

United States Government obligations and other securities carried at \$173,228,329.29 are pledged to secure public and trust deposits and for other purposes as required or permitted by law

Member Federal Deposit Insurance Corporation

Stories Behind Words

ERIC BERGER

MR. BERGER is managing editor of *Better English Magazine*.

A GRIM Moorish fortress infested with cutthroats is responsible for our modern tariff system. Our word "tariff" comes into English from the Arabic *Tarifa*, a name given by the Moors to a fortress built on a southern

promontory of Spain, a rocky spit of land which jutted into the Straits of Gibraltar and commanded the entrance to the Mediterranean.

When the Moors brought the Castilians to their knees and overran Spain, they used *Tarifa* as a strategic base from which to raid ships and levy tribute on cargoes of silks, spices and

treasure. Tariff today has a sound economic basis and rates are determined by legislation, but these Moorish "customs" collectors made up their "schedules" with both hands tight on a brace of pistols.

When we say that a legal document is "given under my hand and seal," then subscribe our names, we are perpetrating a contradiction. In the middle ages none but very well educated persons could write, and this included some of the kings of the time. Instruments were therefore signed by placing an inked impression of the hand or thumb on the document, then affixing the seal of the party in wax. Old English and French deeds still on file bear such signatures. So does the Magna Charta. King John never signed his name to it. He couldn't write.

ANCIENT roads and aqueducts are not the only evidences of the Roman occupation of England. The British monetary system too is a relic of that period. Indeed, our word "money" is derived in a roundabout way from one of the surnames of Juno, *Moneta*, the "warner." Juno was the goddess of finance, and when in 350 B.C. a temple honoring the lady was erected in Rome, a mint was attached and commemorative coins engraved with her likeness were struck off. In Juno's honor these were called *monetas*, but the Romans, quick to appreciate a slang turn of phrase, soon used the word to mean any kind of money. The Anglo-Saxons, however, had *moneta* do duty also as the place where money is coined. But they Anglicized the word to *mynnet*, from which we get "mint."

When we compute British foreign exchange, we are using the old Roman method of coinage. "£" is for *librum*, "pound"; "s" represents *solidus*, "shilling"; and "d" stands for *denarius*, "penny." The English "pound" was originally a pound of silver until Henry VII in 1489 substituted the gold sovereign, so called because the old boy was bitten with vanity and insisted on having his likeness stamped on the coin.

While dollars aren't always minted in valleys, or dales, today, the first ones were. These *dalers*, or *thalers*, came from St. Joachim's valley, *Joachimsthal*, in Bohemia, and the coins, which were widely used because of their excellence,

Bank of America NATIONAL TRUST AND SAVINGS ASSOCIATION CALIFORNIA'S ONLY STATEWIDE BANK

Condensed Statement of Condition June 30, 1941

RESOURCES

Cash in Vault and in	
Federal Reserve Bank	\$ 192,414,441.49
Due from Banks	104,256,861.83
TOTAL CASH	\$ 296,671,303.32
Securities of the United States Government and	
Federal Agencies	466,119,879.95
State, County and Municipal Bonds	164,733,098.75
Other Bonds and Securities	36,573,378.15
Stock in Federal Reserve Bank	3,720,000.00
Loans and Discounts	844,466,563.53
Accrued Interest and Accounts Receivable	6,428,021.62
Bank Premises, Furniture, Fixtures and Safe	
Deposit Vaults	31,873,314.42
Other Real Estate Owned	6,227,867.58
Customers' Liability on Account of Letters of Credit	
Acceptances and Endorsed Bills	20,231,211.86
Other Resources	694,035.45
TOTAL RESOURCES	\$1,877,738,674.63

LIABILITIES

DEPOSITS:		
Demand	\$807,874,773.26	} 1,695,498,417.99
Savings and Time	877,613,644.73	
Liability for Letters of Credit and as Acceptor,		
Endorser or Maker on Acceptances and		
Foreign Bills	21,281,841.70	
Reserve for Interest Received in Advance	11,256,896.95	
Reserve for Interest Taxes, Etc.	2,967,645.29	
Capital:		
Common (4,000,000 Shares)	\$ 50,000,000.00	
Preferred (540,000 Shares)*	10,800,000.00	
Surplus	62,000,000.00	
Undivided Profits	22,630,115.82	
Reserve for Increase of Common		
Capital	1,200,000.00	
Preferred Stock Retirement Fund	472,974.23	
Unallocated Reserve	6,900,000.00	
Other Reserves	2,740,782.65	
TOTAL CAPITAL FUNDS	156,743,872.70	
TOTAL LIABILITIES	\$1,877,738,674.63	

*Issued at \$50 (\$20 Capital—\$30 Surplus), Annual Dividend \$2. Preferred to extent of and retirable at issue price and accrued dividends.
This statement includes the figures of the London, England, banking office.

MAIN OFFICES IN TWO RESERVE CITIES OF CALIFORNIA
SAN FRANCISCO LOS ANGELES



495 California branches united
for strength and service



Legions of Purchasing Officers

were known as *thalers*, or *dalers*. This type of coinage is still called a dollar, whether it is a Mexican dollar, a British Straits Settlements or a Chinese dollar.

Money has been named after places, but how about places taking the name of money? Well, the South is known as Dixie because the language widely spoken in Louisiana before the Civil War was French, and the ten dollar bill was called a "dixie," from the French for "ten." Some wit called the South Dixie and the name stuck.

For the origin of the slang designation of "sawbuck," look at the Roman ten—X—which decorates the ten dollar bill. See the resemblance?

When a business man speaks of "making his pile," you may quarrel with his motives, but don't criticize his choice of words too severely. The expression is far from slangy. For if you think the use of "accumulate" would be a better form of locution, you're way off. It's the same figurative language. "Accumulate" comes from the Latin *cumulare*, "to pile up."

Maybe it's a far cry from a corporate budget which itemizes an expenditure of a million dollars, to milady's leather handbag. And maybe it's not. The Roman word *bulga*, which the French appropriated and changed to *bouge*, meant "leather bag." The French diminutive, *bougette*, meant "small bag," or "wallet," and from this word we get our English "budget." The earliest meaning of budget was "a pouch or wallet, of leather, sometimes used as a money bag." Digging into the budget, as you see, is hardly figurative. And budgeting yourself means spending only what you have in the bag.

IT ISN'T a far cry from a latticed gate to a canceled check. In fact, they mean the same thing. The Latin word for "lattice" was *cancel*, and the diminutive was *cancelli*. In time some Winchell of the ancient world, aware of a resemblance between the lattice and the cross lines used to obliterate writing, coined the word *cancellare*, "to make a lattice of cross lines." This meaning of cancel still survives, though it has come to include "making void" or "revoking."

Get down to "brass tacks," even in a modern "streamlined" office, and you're using the language of the cracker barrel and the country store. The dry goods counter of the old cross-roads store had brass tacks nailed into its edge, spaced at distances of a yard, a half yard and a quarter yard. And when a merchant got down to brass tacks he got down to the actual measurement of the cloth he was trying to sell.

Approximately 2,500 government purchasing agencies purchase some 300,000 different articles, according to the Department of Commerce. Indeed, the Government buys some quantities of almost everything produced in this country. The magnitude of the government purchasing set-up tends to confuse many manufacturers who desire to cooperate 100 per cent. Actually, government purchases are made on a very simple formula. The specifications are

not complicated. In fact, the biggest buyer in the world—Uncle Sam—has the simplest system of purchasing supplies, equipment and services. The Service and Information Office of the Commerce Department is equipped to inform manufacturers whom they should contact and exactly how to do so. Specific information on how to proceed may be obtained by applying to that unit, Room 1060, Department of Commerce, Washington, D. C.

He has a hospital in his pocket



Tucked away in an inside pocket is a document newly handed this employee by a far-sighted employer. It makes for better living and better work!

For the document is a Group Insurance Policy with Standard Accident of Detroit. It gives hospital care when sickness or accident strikes—insures against loss of earnings and the added expense of disability.

This is modern employee relations at its best! Standard Group Disability and Hospitalization Insurance is available to progressive employers through any Standard agent or broker. Standard also issues modernized policies against loss due to robbery; forgery; embezzlement; glass breakage; automobile accidents; injuries to self, employees or public; and similar hazards.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

The Lie Detector

A GOOD teller in rendering efficient service will occasionally be short or over, just as once in a while he will cash a bad check. To try for absolute accuracy by double-checking each move would be more costly to a bank than the payment of an occasional loss. On the other hand, when a teller gets above a reasonable quota of shorts, particularly where the items are for large amounts which cannot be immediately clarified, some banks are trying to clear the matter by using the polygraph

equipment popularly known as the "lie detector".

Results have been of considerable interest. In one bank the use of the lie detector not only cleared up the particular shortage studied, but in doing so, freed the entire staff of any possible suspicion and released it from the uneasiness and doubt which usually exists when a shortage occurs. It also brought to light another shortage of a smaller amount. The staff was informed that the lie detector had been used to

the advantage of everyone concerned and in announcing the possibility of its use in the future, it was emphasized that there was absolutely no need for anyone to feel jittery because there are occasional errors. The use of the lie detector, it was pointed out, is for the benefit of all the members of the staff in order to exonerate them when they would otherwise continue under suspicion.

Midwestern banks have been using the equipment for 10 years. In a recent article, a Chicago bank reported that detectives had tried for a month to determine the guilty person in a loss in 1931. Finally the lie detector was used and nine employees confessed. Thirty Chicago banks have been using the device since 1931 and defalcations have practically disappeared.

In another bank, the polygraph was used in the study of a \$500 teller shortage. The teller had been off for two days with influenza and had apparently returned to the window while still sick. When he left his work that night, he was \$500 short. The bank management felt that the money had been mistakenly paid out at the window. The polygraph was used and the integrity of each employee confirmed. The customer who had received the overpayment later reported it.

Still another bank feels that the lie detector has many other values besides detection. In one case, it revealed an unsatisfactory employer-employee relationship which had affected the employee's work. This bank is considering demonstrating the machine to all its staff, using volunteers for the demonstration and keeping away from any questions pertaining to the bank. In this way the constructive side of the polygraph would be emphasized and any possible stigma removed.

The lie detector fails only on subnormal individuals, mentally disordered persons who believe their own lies, and some hardened criminals. The normal person reacts strongly, even dramatically.

Instruments give readings which only experts can interpret. For this reason, the polygraph is sold only to police departments and qualified research laboratories. It takes eight months to train an operator and there are said to be not more than 100 polygraph experts in the United States.

Guaranty Trust Company of New York

140 Broadway
 Fifth Ave. at 44th St. Madison Ave. at 60th St.
 LONDON VICHY PARIS BRUSSELS

Condensed Statement of Condition, June 30, 1941

RESOURCES

Cash on Hand, in Federal Reserve Bank, and	
Due from Banks and Bankers	\$ 962,197,492.60
U. S. Government Obligations	1,208,283,442.26
Public Securities	32,573,919.28
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities and Obligations	21,025,667.06
Loans and Bills Purchased	485,611,110.29
Credits Granted on Acceptances	4,678,855.82
Accrued Interest and Accounts Receivable	6,583,259.54
Real Estate Bonds and Mortgages	1,801,670.96
	<u>2,730,555,417.81</u>
Bank Buildings	11,094,428.19
Other Real Estate	1,352,661.73
Total Resources	<u>\$2,743,002,507.73</u>

LIABILITIES

Deposits	\$2,434,203,362.17
Checks Outstanding	13,768,933.49
	<u>\$2,447,972,295.66</u>
Acceptances	\$8,833,390.98
Less: Own Acceptances	
Held for Investment	4,154,535.16
	<u>4,678,855.82</u>
Liability as Endorser on Acceptances and	
Foreign Bills	91,769.00
Dividend Payable July 1, 1941	2,700,000.00
Items in Transit with Foreign Branches and Net	
Difference in Balances Between Various Offices	
Due to Different Statement Dates of Some	
Foreign Branches	207,683.63
Miscellaneous Accounts Payable, Accrued Taxes, etc.	9,751,039.86
	<u>2,465,401,643.97</u>
Capital	\$ 90,000,000.00
Surplus Fund	170,000,000.00
Undivided Profits	17,600,863.76
Total Capital Funds	<u>277,600,863.76</u>
Total Liabilities	<u>\$2,743,002,507.73</u>

Securities carried at \$19,266,124.71 in the above Statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

This Statement includes the resources and liabilities of London, Liverpool and Brussels Branches as of May 31, 1941; Vichy and Paris Branches as of April 30, 1941; Havre Branch as of March 31, 1941.

Member Federal Deposit Insurance Corporation

Bits-and-Pieces Experience

THE Defense Contract Service, Office of Production Management, as a test of its conviction that "more and more subcontracting is the best way to speed up and increase production", asked 10 representative large manufacturers to report their actual experience with the "spread-the-work policy."

The Service finds that the 10 test cases "leave no doubt" of the policy's practical value, demonstrating that "the holders of big Army and Navy orders can speed up and increase their output in the long run by utilizing other existing plants—large and small—to make 'bits and pieces' for them under subcontracts."

"The experience of the 10 companies shows also, however," continues the Service, "that subcontracting is not easy, that it calls for tireless supervision, careful scheduling, exhaustive training, and zeal born of devotion to the nation's welfare."

"Thus practiced, spreading the work through subcontracts may well mean the difference between a nation prepared in time and a nation alone and ill armed in a world at war."

To give holders of defense contracts the benefit of the 10 manufacturers' experience, the Service has issued a consensus of the reports submitted. Here is one of them:

WITH approximately 36 per cent of its manufacturing cost already being subcontracted, a famous manufacturer of aircraft engines is now planning a major extension of subcontracting to include some of the larger engine parts. At present, this company reports, it is subcontracting 40 per cent more of its work than when the present emergency was first declared.

The engine manufacturer figures that 56 per cent of the cost of its production represents outside effort. This includes the 36 per cent that meets its definition of subcontracting, 14 per cent represented by parts supplied by vendors, and 6 per cent by raw material.

The subcontracting advantages listed by this company are many and impressive:

"Capital expenditure eliminated to great extent by subcontracting. Concentration of labor eased somewhat, thus lessening responsibilities of the community when emergency is over. Helps maintain even production flow for subcontractor, thus making it possible to carry on varied production after

the emergency is over. Provides military advantage of diversified sources of supply with incidental lowering of labor trouble possibilities and fire hazards."

The company contends, however, that the initial delay before production gets well under way is greater on subcontracted work than on work handled in its own plant. It notes also that the percentage of rejected work is higher. The firm points out the possibility that, by very diversified subcontracting, one

small supplier of a part may be instrumental in holding up a prime contractor's whole program unless more than one source produces the same part. Furthermore, it says, duplication of subcontracting capacities may be an expensive proposition.

Beginning such subcontracting in the Fall of 1940, it is now utilizing some 30 outside firms. The volume of its subcontracting is increasing steadily and each week new sources are used.

Partners in a NEW PROSPERITY



☆☆ 1941 can make many an American farm a "LAND OF FREEDOM" if farmer, dealer, banker work together as Partners in a New Prosperity.

Every new Minneapolis-Moline machine put into action on the farm brings its owner closer to FREEDOM. By lessening hard work and long hours, MM equipment gives the farmer more time to enjoy life with his family—more opportunity to obtain those necessities and comforts which make him independent.

In the coming year with its widening demand for more farm produce, thousands of deserving farmers will want and need new MM Tractors and Machines. In many cases only through the "credit" cooperation of MM dealers and bankers will purchasing be possible. Amazing new features distinguish the Tractors and Farm Machines in the 1941 MM Line. Farmers enabled to use this better equipment will not only be raising their own incomes but indirectly creating better business for MM dealers, bankers, and the community at large.

BRANCHES NEAR EVERYWHERE



MINNEAPOLIS-MOLINE
POWER IMPLEMENT COMPANY MINNEAPOLIS MINNESOTA

Materials Behind Mortgages

(CONTINUED FROM PAGE 29)

wood veneers are very real, if judgment may be made on the basis of laboratory experiments.

Plastics of this sort, in fact, offer some distinct advantages over plywood. They are more vaporproof and better insulators than plywood. They may be molded more readily and thus may become suitable for such elements as soil pipe, gutters, and down-spouts. They may even be machined and so may be suit-

able for trim, moldings, window sash, railings, and similar items. It is, in fact, no longer wholly within the realms of imagination to conceive of a dwelling principally composed of one material, with great advantage in the uniform interaction of parts. The problem is principally one of competitive costs, but the need for substitutes created by the defense situation may greatly speed the development.

Steel remains one of the most problematical materials in the future of housebuilding. Though it was the herald of the prefabricating movement, it was pushed into the background by plywood and threatens to be still further submerged by the newer plastics. Nevertheless, the excess steel capacity likely to exist after the war will undoubtedly again turn the interest of steel manufacturers to housing and its pressure upon the market may become very great. The natural disadvantages of steel, however, in exposed places, the difficulties of joining it with other materials, and its relative expense, seem likely to continue to confine its use to equipment and to framing members in situations not far different to those in which its use is now common.

THE old familiars among materials are for the most part not likely to disappear. Lumber, brick, glass, stone, and concrete will, as far as one can foresee, continue to figure prominently in the housebuilding picture. One familiar material, however, is not likely to fare so well. That one is plaster, whose one advantage of a smooth, jointless surface is counterbalanced by the damage that its moisture does to other materials (with the consequence of later damage to itself) and by the excessive time for application and drying that it adds to the site operation. The wallboards and plywoods now available, in the hands of the builder who knows how to use them, not only offer adequate substitutes but assure likewise a sounder and more economical structure.

National Planners

UNDER THE leadership of William L. Batt, Prof. Alvin Hansen, and others, the activities of the seven-year-old National Planning Association in Washington are attracting attention.

The association, a private body, holds small, informal, dinner discussion meetings at which its staff discusses current and future problems with government officials, businessmen and labor union officials. Discussion topics on which the association has begun or plans to work include, with reference to post-war policy, the effects of the defense program on finance and credit institutions, on price policy and tax policy, on the opportunities for post-war investment and employment—such as urban reconstruction and foreign developments—on administrative relations of government and labor and industry, and on small business.

The Cleveland Trust Company

Banking Offices located throughout Greater Cleveland and nearby

CONDENSED STATEMENT OF CONDITION, JUNE 30, 1941

ASSETS	
Cash on Hand and in Banks	\$181,712,315.74
United States Government obligations, direct and guaranteed, less Amortization Reserve	149,281,756.75
State, Municipal and Other Bonds and Investments, including Stock in Federal Reserve Bank, less Reserves	7,918,412.33
Loans, Discounts and Advances, less Reserves	158,087,010.45
Banking Premises (including investments and other assets indirectly representing bank premises) less Reserves	6,076,617.17
Other Real Estate (including investments and other assets indirectly representing other real estate) less Reserves	4,048,685.85
Other Resources, less Reserves	1,849,161.04
Customers' Liability on Acceptances Executed by this Bank	73,853.27
Customers' Liability on Loan Commitments	1,795,500.00
Total	<u>\$510,843,312.60</u>
LIABILITIES	
Capital Notes	\$12,600,000.00
(Subordinated to Deposits and Other Liabilities)	
Capital Stock	13,800,000.00
Surplus and Undivided Profits	6,667,622.77
Reserve for Contingencies	1,006,826.63
Retirement Fund for Capital Notes and Accrued Interest to August 1, 1941	587,446.58
Total	<u>34,661,895.98</u>
DEPOSITS	
Demand	\$255,415,190.92
Time	187,694,417.52
Estates Trust Department (Preferred)	18,654,549.75
Corporate Trust Department (Preferred)	6,727,847.90
Total	<u>468,492,006.09</u>
Accrued Taxes, Interest, etc.	1,768,103.02
Other Liabilities	4,051,954.24
Acceptances Executed for Customers	73,853.27
Loan Commitments Outstanding	1,795,500.00
Total	<u>\$510,843,312.60</u>

United States Government Obligations carried at \$18,585,711.56 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

MEMBER FEDERAL RESERVE SYSTEM

Member Federal Deposit Insurance Corporation

Use a Safe Ink

BURGESS SMITH

The author is chief of the research laboratory, Todd Company. He was formerly technical aide to the Director of Federal Bureau of Engraving and Printing.

A DOCUMENT is only as permanent as the ink which validates it and all persons and institutions concerned with the preservation of valuable records or negotiable paper should examine the qualities of the inks to be used on them. The wisdom of testing the durability of inks is best illustrated by the fact that of the 47 writing inks on the market today, only three meet the United States Bureau of Standards' specifications for use by the Government, and many are totally unsatisfactory for records that should have a fair degree of permanence.

The public is at least partly to blame for this state of affairs, because it has demanded inks that would flow freely in fountain pens. Inks suitable for that purpose must be thin and contain a minimum of the solids necessary to guarantee longevity. Dyes of doubtful permanence are substituted for these solids.

Important documents like checks and drafts, or any paper which must be preserved, should be written with an ink in which the coloring matter is in a soluble form but of such a nature that it would combine with the paper and its constituents, or sink in and quickly become insoluble.

SUCH an ink is made from nut-galls and a salt of iron, the combination of which produces an almost colorless fluid. On exposure to the air, however, there is a chemical change in the constituents that renders them insoluble, so after penetrating the surface of the paper as a liquid, the ink oxidizes and becomes an insoluble black. A blue dye is incorporated in the solution to make the writing immediately legible, but the permanency of the ink should not depend on it. This class of ink is characterized by writing blue and, in a few days, turning black. Should it write initially black instead of blue, the ink is really spoiled and unfit for use, because the coloring fluid has prematurely oxidized and will not permeate the paper as it should.

An ink of this nature may fade under certain circumstances but the iron component remains in the paper as long as

the paper exists and may be rendered visible after centuries have elapsed.

The test which follows may be used to find the life-expectancy of an ink:

A specimen of writing, clamped between two pieces of glass with part of the writing covered with black paper, should not show the slightest degree of fading when exposed to direct mid-Summer sunlight for a week. In fact, the exposure should result in darkening rather than fading. After the exposure, the specimen should withstand soaking

overnight in plain water. Inks of this sort, to a certain extent, can be removed by soaking in water when freshly written, but after 24 hours they become embedded in the paper and insoluble. This resistance to water increases as the writing ages.

Those interested in a specific formula for a permanent ink should send a request for pamphlet C426 to the Superintendent of Documents, United States Government Printing Office, Washington, D. C., with 15 cents in currency.



Statement of Condition

At the Close of Business
June 30, 1941

ASSETS

Cash on Hand and Due from Banks	\$79,862,762.81
United States Securities Owned	28,079,000.00
Stock in Federal Reserve Bank	330,000.00
Other Stocks and Bonds	3,189,436.42
Loans and Discounts	53,556,946.90
Furniture and Fixtures	269,841.31
Banking House	2,265,000.00
Other Real Estate	1,037,917.26
	<hr/>
	\$168,590,904.70

LIABILITIES

Capital Stock	\$5,000,000.00
Surplus Fund	6,000,000.00
Undivided Profits, Net	4,334,799.82
Reserved for Taxes, Etc.	380,266.96

Deposits

Individual	\$93,421,452.70
Banks and Bankers	50,128,318.61
U. S. Government	9,326,066.61
	<hr/>
	152,875,837.92
	<hr/>
	\$168,590,904.70

FIRST NATIONAL BANK

in DALLAS MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Booklets at Your Service

* SELECTED FOR THEIR INTEREST TO YOU *

We'll be glad to see that you get a copy of any or all of these booklets, free of charge or obligation. Each one has been carefully selected for its special value to bankers and business executives. Simply send your request to Dept. BB-2, American Bankers Association, 22 East 40th Street, New York, N. Y.

FOOD SAVINGS BANKS

A way has been found for the average family to have fresh foods always available and at a saving in food costs of from \$35-\$75 yearly. Bankers will be quick to recognize the value of such a saving from the standpoint of community welfare; also, here is a new, potential source of loan volume. Refrigerated storage houses for food, bought at wholesale prices and stored in individual food lockers is the answer. This 10-page illustrated booklet will bring you basic information about "food locker plants"—a rapidly expanding, highly profitable new business.

EASY COME—EASY GO

Many banks—and their commercial customers, too—have found the present doorways to their buildings unsatisfactory. Wind pressure and outmoded design makes doors hard to operate. In winter, heat is lost by slow, inefficient closing; in summer, conditioned air is likewise wasted. If you—or your customers—want to make entrance-way operation an easy come, easy go affair, here is descriptive data from three companies about the "balanced" door, the "magic" door and the "phantom" door that should be considered. Your inquiry will bring all three booklets.

POSTAGE SPOILAGE AND LOSS

Sabotage in the stamp drawer is the result of but one of the six common mistakes in mail handling outlined in an 18-page, cartoon-illustrated booklet just published by a concern that has studied this problem for years. If you'd like to know what the other five mistakes are—and how to cure all six—this readable booklet will help you.

PRODUCTION'S NEW PARTNER

Interested in fluorescent lighting? Here's an eye-opening booklet (26 liberally-illustrated pages) that tells you what it is, what it does, and how it

is helping Americans win the battle of production in factory and office. Incidentally, many banks have found modernization loans for new fluorescent lighting fixtures highly satisfactory (refer to page 44 of the April, 1941 issue of BANKING.)

Booklets Still at Your Service

CERTIFIED FIRE PROTECTION . . . for business records is imperative—even in so-called fireproof buildings—to safeguard documents whose loss might prove disastrous. Only modern, insulated safe cabinets can do this job properly. In this emergency better check your equipment and the protection it offers with the data in this valuable 70-page brochure, made available to you by one of the world's largest manufacturers of office equipment.

ONLY 14/100 OF 1% . . . of all accounting costs is rightly chargeable to the record paper used, according to this 12-page booklet published by a large eastern paper manufacturer. It contains a chart showing that the best white linen, cotton fibered ledger paper used in place of the worst ragless grade increases costs but 39/100 of 1%. Another chart and other figures tell an equally surprising story about letter-head costs.

A HOUSE BUILT ON SAND . . . is likely to fall down and go boom, bringing the mortgage with it. Ditto with a house poorly constructed of cheap materials. So, banks handling mortgages should know something about *The High Cost of Cheap Construction*, a book of factual information published by a leader in the building field. It explains the "do's" and "don'ts" of home building.

PROPER MONEY CONTROL . . . in the purchase of supplies and payment of invoices guards business firms against

serious losses arising from negligence or criminality. This 10-page booklet outlines a simplified disbursement procedure developed by a concern specializing in crime prevention. You will want to tell your customers about this invaluable, tamperproof method.

CHECKING ACCOUNT ANALYSES . . . Analyzing commercial checking accounts has gained wide acceptance as a fundamental of sound banking. It is important to *know* your costs, and the two methods outlined by a leading calculating machine manufacturer in this folder will be worth studying. The first method is based on one handling of the statement stubs, aggregating balances and float, and calculating the earnings figure. The second method assumes handling aggregate float and balances as separate operations during the month.

POCKET CHECK SALES PLAN . . . If it's costing you the usual average of 50 cents a year to supply each regular checking account customer with checks, pass book and cover, here is a personalized "pocket check sales plan" that will cut this cost, bring eight more advantages to your bank and offer six new checking account appeals to your customers. An informative 16-page booklet, recently made available, presents full details.

SAVING FILING SPACE . . . There is a new index tab on the market that will save about 12 per cent of the space used in your filing cabinets and drawers; it is tilted at a 45 degree angle and magnifies the index inserts by 35 per cent for easier, quicker reading; is made of plastic; comes in six colors; and is becoming quite popular with many bankers. Adding it all up, the answer is that you should look over the illustrated folder describing this tab and examine the sample that comes with it.



THE NEW YORK TRUST COMPANY

100 BROADWAY

MADISON AVENUE AND 40TH ST.

TEN ROCKEFELLER PLAZA

CONDENSED STATEMENT OF CONDITION At the close of business, June 30, 1941

ASSETS

Cash on Hand, and in Federal Reserve and Other Banks	\$227,491,897.08
Exchanges, Collections and Other Cash Items	29,984,596.29
United States Government Obligations—Direct and Guaranteed	192,062,964.72
Other Bonds and Securities	17,933,836.17
Loans, Discounts and Bankers' Acceptances	115,757,728.21
Interest Receivable, Accounts Receivable and Other Assets	1,716,656.34
Real Estate Bonds and Mortgages	3,729,746.06
Customers' Liability for Acceptances	1,266,401.36
Equities in Real Estate	2,728,257.19
Banking Premises—Equity	1,987,317.67
	<u>\$594,659,401.09</u>

LIABILITIES

Deposits	\$535,937,974.45	
Outstanding and Certified Checks	<u>13,475,090.71</u>	\$549,413,065.16
Dividend Payable July 1, 1941		625,000.00
Accounts Payable and Other Liabilities		1,529,949.61
Acceptances		1,523,794.63
Reserve for Contingencies		1,000,000.00
Capital	12,500,000.00	
Surplus	25,000,000.00	
Undivided Profits	<u>3,067,591.69</u>	40,567,591.69
		<u>\$594,659,401.09</u>

United States Government obligations are carried at amortized cost. Government obligations and other securities amounting to \$5,119,241.70 in the above statement are deposited to secure public and trust deposits and for other purposes required by law.

TRUSTEES

MALCOLM P. ALDRICH <i>New York</i>	F. TRUBEE DAVISON <i>President, American Museum of Natural History</i>	B. BREWSTER JENNINGS <i>Socony-Vacuum Oil Co., Inc.</i>
MORTIMER N. BUCKNER <i>Chairman of the Board</i>	RUSSELL H. DUNHAM <i>Chairman of the Board Hercules Powder Company</i>	HOWARD W. MAXWELL <i>New York</i>
JAMES C. COLGATE <i>Jas. B. Colgate & Co.</i>	SAMUEL H. FISHER <i>Litchfield, Conn.</i>	HARRY T. PETERS <i>New York</i>
ALFRED A. COOK <i>Cook, Nathan, Lehman & Greenman</i>	ARTEMUS L. GATES <i>President</i>	DEAN SAGE <i>Sage, Gray, Todd & Sims</i>
WILLIAM F. CUTLER <i>Vice-President American Brake Shoe & Fdy. Co.</i>	WILLIAM HALE HARKNESS <i>New York</i>	VANDERBILT WEBB <i>New York</i>
FRANCIS B. DAVIS, JR. <i>President United States Rubber Company</i>		MEDLEY G. B. WHELPLEY <i>Guggenheim Bros.</i>

Member of the Federal Deposit Insurance Corporation

Heard Along MAIN STREET

This material is compiled for BANKING by Albert Journey, who is in charge of the Purse Company's Chicago Office.

FOR the second consecutive year HENRY J. NICHOLS, vice-president, National Shawmut Bank of Boston, has been elected president of the Boston Chamber of Commerce.

In this capacity Mr. NICHOLS had the honor of introducing the British Ambassador, Lord Halifax, to a large audi-



Governor Saltonstall, Mr. Nichols and Lord Halifax

ence at a Chamber of Commerce luncheon.

Many things about the presidency of the Chamber resemble the activities of a mayor's duties. Mr. NICHOLS is constantly in demand as a public speaker.

His duties also call for frequent appearance before the state legislature on matters of taxes and other subjects which affect the communities' business life. Prominent people from all sections of the country call on him when they visit Boston.

★

Had J. C. McCONNELL, president of the National Bank of West Virginia, Wheeling, grabbed the other horn of the dilemma with which he was faced some years ago, his name might now be blazoned in lights on Broadway.

Before he was graduated from Western Reserve University Mr. McCONNELL had to choose between a career on the stage and one in the law and subsequently banking. Even as an undergraduate he and three others were members of a well known quartet, which was booked as "Four Lawyers In Accord," and appeared on the boards of the Keith Circuit.

All four chose to follow the law rather than the stage and none has had cause to regret it. Two have subsequently become bank presidents: Mr. McCONNELL, and M. S. RICHARDSON, president of The First Industrial Bank of Akron (Ohio) Company.

Mr. McCONNELL hasn't sung professionally in 10 years, though he does engage in a little plain and fancy bath-tub singing. His interest in music finds expression in the Wheeling Symphony.

Safe driving is the hobby of C. J. D. KOESTER, vice-president, Exchange Bank of Schmidt & Koester, Marysville, Kansas.

In the 36 years since 1905 when he purchased his first car—a four cylinder Winton, Mr. KOESTER has been driving automobiles without a wreck or accident of any kind. The simple formula which has enabled him to avoid even minor disasters in driving several hundred thousand miles is: "Don't take chances and watch out for the other fellow."

Through the years Mr. KOESTER has kept a record of his mileage costs and if



Mr. Koester in his 1905 model

necessary could refer to his carefully maintained records and figure up the number of gallons of gasoline, the quarts of oil, the number of tires, in fact all the expenses of 36 years of auto operation. Since the average life of his cars has been nine years his economy record would be on a par with his safety record.

★

WILLIAM MAISCH has left the Peoples-Pittsburgh Trust Company and is now Major MAISCH at Fort Eustis, Virginia.

It's not his first experience at soldiering. He entered World War No. I as a private and got to be a first sergeant in the 320th Infantry, 90th Division, with which he served in France. During the Argonne action he was wounded.

After the war Mr. MAISCH studied hard for a reserve officer's commission.

While with the Army in France Mr. MAISCH started a battalion newspaper, the "Whizz-Bang". It was a case of working under difficulties because he couldn't find a French printer who would take the job. Finally, some American cigarettes and chocolate helped persuade a Frenchman and his wife to tackle the job. It took three days to read the first proof, which had 800 mistakes. Editor MAISCH didn't have

the cash to pay the bill, but ordered 1,000 copies and personally sold them for 1.2 francs.

He has served the Peoples-Pittsburgh 27 years, more recently as assistant manager of the mortgage department where he did appraisals.

★



COURTESY CHASE NATIONAL BANK

Score committee and kibitzers for the New York City banker-golfers who competed in the Sabin Cup competition at the 23rd annual golf tournament played near Haworth, New Jersey, under the sponsorship of the Bankers Athletic League. Top honors went to the Bankers Trust team, with 255 points; Central Hanover was second, with 252; and Manufacturers Trust third, with 237 points. Jack Gelin, of Manufacturers Trust, won individual low gross with a total of 144 for 36 holes

★

A career of several decades in the United States Army, active and reserve, reached a peak for Colonel LEONARD P. AYRES, vice-president-on-leave, Cleveland Trust Company, and for many years chairman of the American Bankers Association's Economic Policy Commission when he was nominated by President Roosevelt for promotion to a brigadier-generalship. A veteran of World War I, in which he was chief statistical officer of the U. S. Army and the A.E.F., this banker-officer is now

General Ayres



filling the same post as the Army's chief man of figures. He was called to duty last October for the double job of director of the War Department's statistical branch and coordinator of all War Department statistics.

While in Washington on his current tour of duty, he has been holding a lecture class attended by Secretary Stimson, General George C. Marshall, chief of staff, and other high ranking officers, as well as by members of the military committees of Congress. Ruler in hand as he stands before charts and a blackboard, General Ayres gives the statistical lowdown on Army performances.

EDWARD D. SMITH, for many years a director and member of the trust committee of the Fulton National Bank, Atlanta, and now vice-president in charge of the trust department, is a vigorous sportsman and outstanding business executive.

He devotes his full time to banking activities, having retired as vice-president and general counsel of the Southern Bell Telephone and Telegraph Company after 22 years of service.

Mr. SMITH is a graduate of the University of Alabama and Georgetown University Law School. He served seven terms as city attorney of Birmingham



Complete Banking Service

BANKERS TRUST COMPANY

NEW YORK

Member of the Federal Deposit Insurance Corporation

and was elected Democratic National Committeeman from Alabama by a statewide popular vote in 1916. He joined the telephone company in Atlanta in 1919.

★

GEORGE F. SPAULDING, vice-president, The Northern Trust Company, Chicago, has the distinction of being the first American to serve as a master of Rugby School, England. As a Rhodes Scholar to Oxford, he received his B.A. and M.A. Degrees. In 1914-15 he was a member of the American Commission for Relief in Belgium, later becoming a member of the American Ambulance

Corps in France before America entered World War I. He served as pilot and pilot instructor with the Royal Air Force, spending more than a year in Egypt. He is a past president of the Chicago branch of the English Speaking Union; is a governor of the Investment Bankers Association; trustee of the Presbyterian Theological Seminary; member of the Chicago Crime Commission; and vice-president of the Union League Club of Chicago.

★

LEWIS B. WILLIAMS, chairman of the board of the National City Bank of Cleveland since 1934, received the de-

gree of Doctor of Humanities from his alma mater, Western Reserve University, at the 1941 commencement.



After graduation in 1902 Mr. WILLIAMS went into newspaper work, and in 1903 was financial editor of the Cleveland *Plain Dealer*. That year he entered the investment banking business with Hayden, Miller & Company of Cleveland, continuing with the firm until 1933 when he became chairman of the board and Federal Reserve Agent of the Federal Reserve Bank of Cleveland.

Mr. WILLIAMS serves on the directorates of the General Electric Company, The National Life Insurance Company of Vermont, Cleveland Twist Drill Company, Youngstown Steel Door Company, Anchor Hocking Glass Corporation, and Industrial Rayon Corporation. He is also a trustee of several public and educational institutions, including Western Reserve University.

★

When on May 16, ALFRED H. WILLIAMS, dean of the Wharton School of the University of Pennsylvania, was appointed president of the Federal Reserve Bank of Philadelphia, his former classmates of the year 1915 were



not at all surprised. As an undergraduate AL WILLIAMS had been a brilliant student and an outstanding member of one of Pennsylvania's most famous classes—one which included such names

THE NATIONAL CITY BANK OF NEW YORK

Head Office • 55 WALL STREET • New York

Condensed Statement of Condition as of June 30, 1941 (In Dollars)

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS

Cash and Due from Banks and Bankers	\$1,030,259,008
United States Government Obligations (Direct or Fully Guaranteed)	1,148,145,869
Obligations of Other Federal Agencies	50,725,633
State and Municipal Securities	179,531,021
Other Securities	66,033,697
Loans, Discounts and Bankers' Acceptances	603,571,042
Real Estate Loans and Securities	6,791,688
Customers' Liability for Acceptances	8,544,513
Stock in Federal Reserve Bank	4,260,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	40,227,751
Other Real Estate	156,622
Other Assets	628,999
Total	\$3,145,875,843

LIABILITIES

Deposits	\$2,934,824,738
Liability on Acceptances and Bills	\$18,275,697
Less: Own Acceptances in Portfolio	6,895,402
Items in Transit with Branches	25,297,158
Reserves for:	
Unearned Discount and Other Unearned Income	4,066,655
Interest, Taxes, Other Accrued Expenses, etc.	7,606,197
Dividend	3,100,000
Capital	\$77,500,000
Surplus	65,500,000
Undivided Profits	16,600,800
Total	\$3,145,875,843

Figures of Foreign Branches are as of June 25, 1941.

\$77,135,911 of United States Government Obligations and \$14,177,264 of other assets are deposited to secure \$57,963,996 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

as Rexford Tugwell, Bill Tilden, and Orville Bullitt, brother of the internationally famous Bill Bullitt and himself a noted financier. From the start Mr. WILLIAMS was tagged for success and he has fully lived up to the promise in the carving out of a notable career in the dual fields of education and finance.

Dr. WILLIAMS is a many-sided man. Supplementing a broad business experience he saw service as an officer in the A.E.F. in the first World War. He is a director of the American Academy of Political and Social Science and a director of the National Bureau of Economic Research.

On the lighter side Dr. WILLIAMS is a golfer of more than average ability, who frequently turns in scores in the low 80's. He has a fund of knowledge on flowers and plants and is fast becoming an authority on the yew tree. At his home in Wallingford, Pennsylvania, he has collected a wide variety of these trees.

★

Hand balancing may look easy, but VERYLE BROWN, of The International Trust Company, Denver, with his partner, Herb Weimer, found it necessary to practice three nights a week for four years—in which time they did about 35 amateur shows—before they could gain professional booking. Although they have attained professional standing they still keep up the rigorous practice.

Participation in high school athletics led Mr. BROWN to organize a hand balancing act with Mr. Weimer; as a team they're known as "The Valmonts". Now, after five years, they're looking for a comely lady to add to their act.

Mr. BROWN says that to him hand balancing takes the place of other types of athletics and that he finds it as inter-

The Valmonts



August 1941

esting as he did when he started years ago.

It takes more than six months of practice before some of the team's more difficult tricks are mastered. "The Valmonts" have appeared before private groups and large audiences.

★

R. B. DAYTON, president of the Bank of Port Jefferson, New York, has completed 50 years of continuous service with one institution.

Mr. DAYTON entered the bank's service on July 1, 1891, as a clerk and bookkeeper, the only other employee being the cashier. He became, successively,

assistant cashier, a director, cashier, vice-president and executive manager, and in 1929 was elected president.

Mr. DAYTON is also a trustee of the Union Savings Bank of Patchogue, N. Y.

★

DIAL CURRIN, vice-president, Federal National Bank, Shawnee, has been appointed by Governor Phillips to the new nine-member educational coordinating board of Oklahoma.

Mr. CURRIN has an outstanding record of civic and educational service both in Shawnee and in his former home, Durant.



MODERN FARMING is Big Business

THE HORSE and mule were used to plow and cultivate most of the land in this country only a few years ago. Agriculture was a large industry then but, not until tractor and truck took up where old dobbin left off and, with other machinery, increased the output of human hands, did farming become the Big Business it is today.

Thousands of investors, in cities far removed from individual farm operations, are taking the opportunity to place their funds in securities backed by progressive agriculture. They do this by purchasing consolidated debentures of the Federal intermediate credit banks.

These obligations are eligible as security for all fiduciary, trust and public funds held under authority of the Federal government and, regardless of maturity, for loans to Federal Reserve member banks.

THE FEDERAL INTERMEDIATE CREDIT BANKS

SPRINGFIELD, MASS.	LOUISVILLE, KY.	ST. PAUL, MINN.	HOUSTON, TEX.
BALTIMORE, MD.	NEW ORLEANS, LA.	OMAHA, NEB.	BERKELEY, CAL.
COLUMBIA, S. C.	ST. LOUIS, MO.	WICHITA, KAN.	SPOKANE, WASH.

Further information regarding the Debentures may be obtained from

CHARLES R. DUNN, Fiscal Agent

31 Nassau Street, New York, N. Y.

A Sermon on Routine

J. BRUCE MACLAY



Fidelity & Surety Bonds
Blanket Bonds
Burglary & Forgery
Insurance



NATIONAL SURETY
CORPORATION

VINCENT CULLEN
 President

GOOD BANK

For Sale

ESTABLISHED OVER 50 YEARS

Location: Indiana, County Seat
 Town of 5,000 population.

Deposits: Over half million.

Can be handled with moderate
 investment. Excellent opportunity
 for owner-operator. Write
 Box C, care of BANKING.

Mr. MACLAY is a clerk in The Valley National Bank, Chambersburg, Pennsylvania.

ONE of the most criticized elements of our modern civilization is the emphasis upon routine labor which has been imposed by the mechanization of industry and society. This particular criticism has attained expression in many forms in our current literature and cinema, and has rather effectively called to our attention the need to counterbalance the increasingly monotonous tasks involved in earning one's living. The industrial assembly line, as satirized by Charlie Chaplin a few years ago, is an interesting example of the nature of this criticism, and the fact that Mr. Chaplin's "Modern Times" was so widely acclaimed points to the conclusion that people generally are aware of the dangers they face.

However, it has been the common failing of our critics to achieve a practical answer to the question of conquering the effects of routine labors, and those who point with disdain at the "dull life" of the average bank clerk have been particularly lax in suggesting ways and means of aiding him. Of course, the usual criticisms are not practically applicable to modern banking, but it remains true that the overwhelming majority of bank employees are engaged in activities which the world calls "routine".

BANKERS and bank employees generally are aware of the more apparent evils attaching to the routine elements of their profession, and in recent years much constructive work has been done toward eliminating them. Bookkeeping practices have been revolutionized by the installation of modern business machines which eliminate tiresome computation and endless duplication, leaving their operators free to perform duties involving thought and judgment. Techniques of rotating responsibilities among employees have largely removed the boredom resulting from static employment at one task. Emphasis upon the employee's importance in the public relations program of the bank has acted to relieve occupational apathy and make him more alert toward the public he meets daily.

The elimination of out-moded practices in accounting has reduced the total and content of formerly repetitious

tasks. And, above all, the growing interest in professional education has provided the means and inspiration for individual growth, and has supplied the essential challenge which bids each employee to equip himself for the duties which are above routine.

Insofar as the above reforms have gone, they have done much to remove the stigma of drudgery from the work of the bank clerk. However, the inherent evils of routine still remain and it is

THE
PUBLIC
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BANK
AND
TRUST COMPANY
OF NEW YORK

Service—Maintaining an intimate, personalized correspondent bank service.

Experience—Officials with years of service in this field, assuring a knowledge of requirements and valuable assistance.

Policy—To cooperate with out-of-town banks rather than compete for business which is rightfully theirs.



Resources over \$175,000,000

ESTABLISHED 1908

MEMBER
 NEW YORK CLEARING HOUSE ASSOCIATION
 FEDERAL DEPOSIT INSURANCE CORPORATION

only through individual analysis and application that they will be entirely removed. The human tendency to take the easiest road is unusually potent in the traditionally conservative business of banking, and employees must be constantly on guard against its pernicious influences.

All too often, bank employees spend their lives moving indifferently down the track of custom, coasting along with their wheels held to its rails by the iron flanges of habit. Or, to take a lesson from nature, they imitate in their work the regularity and monotony of the seasons without recognizing the accompanying quality of unceasing adaptation.

Intellectually and morally, they fail to progress, and their professional and personal lives become warped and meaningless.

NICHOLAS ROOSEVELT, in an article written some years ago, described the prevailing weaknesses of our modern way of living as "idleness, and its bastard brother, irresponsibility". Both of these qualities are the natural by-products of routine, and are peculiarly noticeable in the unprogressive bank employee.

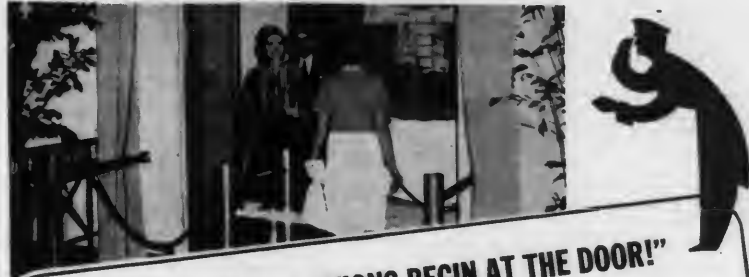
Their devastating effects are reflected in his work in the form of recurrent mistakes, injured feelings of customers and consequent loss of business, sullen relationships with fellow employees, and all the similar failings

which accrue to the uninterested attitude which is best expressed in the phrase "let the boss do the worrying". The bank employee who succumbs to the temptations of routine not only becomes a liability to his employer, but he also sacrifices his own personal happiness.

By now, it is axiomatic that a life not motivated and directed by a sincere interest in one's work results inevitably in a dull, humdrum personal existence which makes the individual a nuisance to himself, a bore to his friends, and a total loss to his community.

The Master Key

Psychologists have long since defined the principle of participation as the master key to a normal and satisfying existence, and it is applicable here as it is everywhere. When the bank clerk learns to identify himself daily with each facet of his own particular task he will discover anew a very ancient truth—that the appearance of routine is the substance of opportunity.



"GOOD CUSTOMER RELATIONS BEGIN AT THE DOOR!"
SAYS "THE PHANTOM DOORMAN"

MODERNIZATION THAT PAYS DIVIDENDS

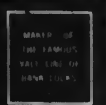
"The Phantom Doorman" (electric-eye-operated automatic door opener-closer) in First National Bank, Palm Beach, Florida. Like other business institutions, First National reports, "The amount of good advertising we have received has been of inestimable value."

WRITE TODAY—Dept. 18, for further information—pictures of installations, experiences of users, details on how it works.



YALE AUTOMATIC DOOR
Opener-Closer

MANUFACTURED BY THE YALE & TOWNE MFG. CO.
STAMFORD, CONNECTICUT



The Three I's

Successful resistance to the attacks of routine duties depends almost entirely upon the fundamental attitude of the individual subjected to them. If he regards his work merely as a pleasant and not too tiring means of earning a livelihood, he will soon sink into the life of animal content that accompanies essentially routine labor. If, on the other hand, he takes to heart the three "I's" of successful banking, Intelligence, Initiative, and Imagination—and seeks to apply them to his everyday task, he will discover that the epithet "routine" was never meant to apply to his job. By entering into each minute and oft-repeated duty in search of its accompanying responsibility he will vastly improve his work, his bank, and himself.

Again WRIGHTFLOR!



WRIGHTFLOR installation (12,300 sq. ft.) in Guardian Life Insurance Building, Madison, Wisconsin.

Good flooring is an investment . . . and again and again far-sighted investors are putting their money into WRIGHTFLOR. Its tough, resilient surface withstands years and years of traffic abuse . . . reduces noise and fatigue. It's impervious to alkalis, inks, stains . . . and remarkably easy to clean. Flexible without cracking, WRIGHTFLOR lays neatly over concrete or wood subfloors . . . old or new. Wide range of colors and designs. Consult your architect or flooring contractor—or write.

WRIGHT RUBBER PRODUCTS CO.
1619 Layard Ave., Racine, Wis.

WRIGHT RUBBER TILE



If a Fluorescent Lamp flunks this test—it's not good enough for you!

DURING the next minute this giant light meter will read the light output of a 100-watt G-E MAZDA fluorescent lamp.

The result should be of *double* interest to any banker or businessman who wants better light. First, it's one of many ways G. E. makes sure all G-E MAZDA "F" lamps are as good as 61 years of General Electric research and development can make them.

Second, it shows the amazing *improvement* in G-E MAZDA F lamps since they were introduced in 1938 . . . as much as 40% more light for the same current . . . while *prices* were being *reduced* as much as 52%!

If you want the benefit of such improvements buy G.E.! General Electric Co., Nela Park, Cleveland, Ohio.

G-E MAZDA LAMPS

GENERAL ELECTRIC

NEW LOW PRICES ON G-E MAZDA F LAMPS

August 1, 1941

14-watt T-12	was \$1.05 . . .	NOW 90c
15-watt T-8	was 85c . . .	NOW 75c
15-watt T-12	was \$1.10 . . .	NOW 95c
20-watt T-12	was \$1.10 . . .	NOW 95c
30-watt T-8	was \$1.10 . . .	NOW 95c
40-watt T-12	was \$1.60 . . .	NOW \$1.35
100-watt T-17	was \$3.50 . . .	NOW \$3.00

Above prices refer to daylight and 3500° white.

Prices also reduced on soft white and colored G-E MAZDA F lamps.

Travel Checks

The sale of travel checks is so regular that if it were not for such unusual circumstances as possible involvement in war, it would be reasonably possible to predict future sales.

Comparisons made by one bank as far back as 1935 follow identical paths. The two peaks are in the Summer, for vacation travel by people who do not take long trips, and in January for cruises and extended visits by persons of greater means.

Political upheavals are visible in the 1938 travel trend, as, for example, when Czechoslovakia was occupied. The Summer of 1939 saw a return to the 1937 figure, with the emphasis toward South American travel when there was much talk concerning Pan-American relations.

The drop during the Summer of 1940 was clearly the result of the Nazi conquest in Western Europe and the dangers of Atlantic travel. Coupled with this was the fact that in the Fall of 1939 and the Spring of 1940, there was a sharp drop in business activity which lasted until the defense program got under way. By the time Britain had stood off Nazi day-time air attacks, it was too late in the Fall of 1940 to plan vacation travel. Consequently, travel agencies reported the lowest activity since 1933.

With rising employment and big gains in some lines of business, sales in 1941 should readily top any previous year since the 1920's. About half of the year's sales come in June, July and August, so Summer is the time to talk up travel checks.

Those who issue travel checks, are generous in their supply of publicity and promotion material to vendor banks.

Home Loan News

ACCORDING to the July Federal Home Loan Bank Review, savings and loan associations of the Home Loan Bank system have loaned nearly \$587,000,000 in defense areas where acute housing shortages exist. The banks had financed at least 87,000 new housing units in such districts over a 10-month period.

Home financing by savings and loan associations in May exceeded any month since 1930, totaling nearly \$131,000,000.

SEE PAGE 19

After the article "The Tax Savings Plan" had gone to press, along came this picture. It shows, *left to right*, W. S. Broughton, Commissioner of Public Debt, Alvin W. Hall, Director of the Bureau of Engraving and Printing, and Daniel W. Bell, Under Secretary of the Treasury, looking at the first of the new tax anticipation notes to come off the press



HARRIS & EWING
BANKING

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No rust expense makes
monthly payments easier



Non-rust Brass and Copper increase the investment value of any home



Anaconda Metals eliminate rust and rust-repairs and make a house a sounder mortgage security. The original value of the home is better preserved and many mortgage defaults—caused by excessive maintenance—are prevented.

Reliable, rustproof copper and brass pipe, Everdur copper-silicon alloy hot water storage tanks, copper roofing, bronze screens and hardware render lasting service. An investment in copper, brass and bronze will return dividends by reducing depreciation.



Anaconda Copper & Brass

THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Conn. Subsidiary of Anaconda
Copper Mining Company. In Canada: Anaconda American
Brass Limited, New Toronto, Ontario. 41228



WHAT MAKES A "STRONG COMPANY" STRONG?

STRENGTH—in a life insurance company as in a bank—is not wholly measurable in dollars. Back of the dollars, back of the day-by-day operations, are the principles which guide the institution.

In the case of The Northwestern Mutual, those principles were laid down more than half a century ago in this simple statement:

"The ambition of The Northwestern Mutual has been less to be large than to be safe . . . to rank first in benefits to its policyholders rather than first in size."

Acting under this guiding principle, The Northwestern Mutual has consistently con-

fined its business to the writing of standard, ordinary life insurance in which every applicant is medically examined and carefully checked on other factors of risk. It has never sought new business in amounts greater than those required to keep the company healthy. It has operated always on the premise that life insurance, to be of greatest service, must be adapted to the personal needs of each policyholder, and it has exercised a careful selection in the creation of a staff of agents competent to render a truly constructive service to its policyholders.

The banker—dealing as do we with other people's money—will recognize the soundness of these Northwestern Mutual principles of trusteeship, will see in them a true measure of this company's strength.



We are **THE NORTHWESTERN MUTUAL**
LIFE INSURANCE COMPANY
MILWAUKEE, WIS.

★ ORGANIZATION ★

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CHICAGO CONVENTION PROGRAM PREVIEW—A.B.A. DEFENSE ACTIVITIES ROUNDUP
MEMBERSHIP—FAR WEST TRUST CONFERENCE—REAL ESTATE MORTGAGE CLINIC

THREE DEFENSE SERVICES

DEFENSE SAVINGS
BOND CLUB ★

CHRISTMAS
CLUB ★

INCOME
TAX CLUB

U. S. (Series E) Defense Savings Bond Club			Class 75c	1 - . 403
Name _____				
Street _____				
Week Due	Total Paid	Date Paid		
1	\$.75			
2	1.50			
3	2.25			
4	3.00			
5	3.75			
6	4.50			
7	5.25			
8	6.00			
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	13.50			
19	14.25			
20	15.00			
21	15.75			
22	16.50			
23	17.25			
24	18.00			
25	18.75			

Issue price \$ _____ above described

UNITED STATES DEFENSE SAVINGS BOND CLUB
For Series E—Ten Year Appreciation Bond
WATERBURY SAVINGS BANK Branch
Main Office 60 North Main Street 793 Bank Street
WATERBURY, CONNECTICUT

Name _____ 1- 403
Address _____
Class: 75c Weekly

\$2.25 Total Paid (including this Coupon)
Class 75c
Coupon 3
UNITED STATES DEFENSE SAVINGS BOND CLUB
Waterbury Savings Bank

Due 3rd week
Holder must not detach this coupon
\$0.75
Date received _____

14991			Class \$2.00
Name _____			
Street _____			
Week Due	Total Paid	Date Paid	
1	\$ 2.00		
2	4.00		
3	6.00		
4	8.00		
5	10.00		
6	12.00		
7	14.00		
8	16.00		
9			
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22			
23			
24			
25			

NAME OF INSTITUTION
Address, City, etc _____

TAX CLUB

Member Federal Deposit Insurance Corporation

14991

DUPLICATE COUPONS

\$20 20.00
\$10 10.00
\$8 8.00
\$6 6.00
\$5 5.00
\$4 4.00
\$3 3.00
\$2 2.00
\$1 1.00
50c .50
25c .25

DUPLICATE COUPONS PAID LET
OUR TOTAL PAID IN BE RECORDED AT LET

Week Due Total Paid Date Paid

1	\$ 2.00		
2	4.00		
3	6.00		
4	8.00		
5	10.00		
6	12.00		
7	14.00		
8	16.00		
9	18.00		
10	20.00		
11	22.00		
12	24.00		
13	26.00		
14	28.00		
15	30.00		
16	32.00		
17	34.00		
18	36.00		
19	38.00		
20	40.00		
21	42.00		
22	44.00		
23	46.00		
24	48.00		
25	50.00		

LC-7 (Rev. 7-1-50)

DEFENSE SAVINGS BOND CLUB

THE ORIGINAL CHRISTMAS CLUB

INCOME TAX CLUB

The Defense Savings Bond Club provides an easy and systematic method of making regular weekly payments for the advance accumulation of funds for the purchase of Defense Bonds. It also provides a *psychological urge* to complete payments in the required number of weeks.

There are three classes of coupon book units supplied for Series E bonds; 75¢ a week for 25 weeks, providing a total accumulation of \$18.75; \$1.50 a week—\$37.50; \$3.00 a week—\$75.00 for the purchase of Series E bonds having anticipated values of \$25.00, \$50.00 and \$100.00. Similar units are supplied for Series G bonds on a 50 week program—\$2.00, \$10.00 and \$20.00 a week. Purchase contract (3 x 5 signature card) and rules of the Defense Savings Bond Club provide (a) that bond is not purchased by the institution until and unless purchaser has completed all payments and (b) a deduction of 50¢ in the event that a demand is made for sums previously paid by uncompleting members (unless otherwise ordered). This service charge of 50¢ is optional, however, and may be eliminated from the rules and regulations.

The Christmas Club creates and maintains morale. It provides an easy and simple method of accumulating funds for the Christmas Season and year-end commitments. Figures recently compiled show that more than 7,500,000 thrifty Americans accumulate one billion dollars every three years in some 5,000 banks and savings institutions. These thrifty Americans use this enormous amount of money in the following percentages: Christmas purchases 33.8—Permanent savings 24.5—Year-end bills 12.8—Insurance premiums 11.5—Taxes 11.1—Miscellaneous 6.3. Institutions providing the service of Christmas Club to their friends and patrons help the defense program because its operation helps morale.

The *multi-class* coupon book designed for Tax Club use permits the use of the *same book* for any of the following weekly payments for 50 weeks—25¢, 50¢, \$1.00, \$2.00, \$3.00, \$4.00, \$5.00, \$10.00 and \$20.00. A special punch, supplied, determines the class of weekly payment selected. The Tax Club is used for Federal Income Taxes, Real Estate Taxes, Local and State Taxes.

The system is arranged for 50 weekly payments as experience indicates that many members will make 50 payments in a shorter period than 50 weeks. Withdrawals are permitted at maturity or ten days in advance of any tax due payment dates.

Twelve million individuals will pay Federal Income Taxes in 1942. Estimates indicate that 6,000,000 of this number have not previously paid income taxes and that the other 6,000,000 will pay approximately double the amount of tax paid in previous years.

CHRISTMAS CLUB

A CORPORATION

341 MADISON AVENUE, NEW YORK

Better Come!

Ideas That Ring

ONCE when the late Francis Sisson was president of this Association he was talking with a group of friends about the program for the Annual Convention. One spoke up and said, "Hey, I've got an idea." Sisson went to the door and locked it. "Take no chances," he said, "it might possibly be a good idea."

There was a famous old Swiss bell ringer who said on being praised for his skill, "But if I had just one more bell, I could play 200 more tunes, if it's the right bell."

Ideas are that way too. One good one can make a world of difference and most banks could use a couple.

Chicago, September 28-October 2

NEXT September, late in the month, when the pumpkins are as big as they'll ever be, and the trees around Lake Michigan are not quite green any longer, a lot of people we know will be arriving in Chicago.

They will have various reasons for knocking off, packing up, and ducking out—new scenery, new friends, meet Jack and Harry, get away from Tom and Jerry, golf neglected, wife same, haven't missed a convention in 30 years—but the big reason is to find out what is going on and pick up an idea or two.

This won't be just another convention. At no time in the whole history of the Association, since the first meeting in Saratoga back in 1875, have the banks faced such extraordinary problems. Never have bankers, along with everybody else, been so puzzled by a future that seems terrifyingly uncertain, a present that doesn't make any sense at all, and the economic messing around of recent years which seems absolutely cuckoo the more you think of it. Better plan to come.

Anno Domini 1941.

DIGRESSING for a minute to speak about these times and their tendency toward goofiness in economics, guile in politics, brutality in morals and despair in general, here is a tableau typical of the day and the outlook.

Four men in a club car were trying to rationalize current events and of course they were having a hard time. The first topic was babies. One of them said, "The birthrate is going skyhigh because so many people were married last year just ahead of the draft." The unanimous verdict on this statistical phenomenon was, "Poor kids. By the time they're beginning to grow up there won't be anything worth living for."

From there on the quartet really got down to serious business . . . things look black . . . if all the money appropriated for defense is used up on schedule the deficit for the calendar year 1942 will be 30 billions . . . by September 1942 we'll be spending for defense purposes alone at the rate of \$3,500,000,000 monthly . . .

new taxes will be ruinous, yet cover only a minor fraction of the cost . . . the traveling and time and expenses of businessmen called peremptorily to Washington to talk with some assistant administrator are terrific . . . the cost of living is going up . . . wages are going up . . . prices are being pushed around and manhandled . . . every economist knows that there must be a ceiling over wages to head off inflation . . . everybody realizes that a ceiling over wages and prices would require a dictatorship just as complete as exists in any Axis country. . . .

Because of defense spending, consumer income in some areas has risen almost 250 per cent . . . 34 areas show gains in consumer income of more than \$100,000,000 each, the highest being New York with \$1,140,000,000 more than in 1939 . . . income payments to individuals have increased throughout the whole country to the level of \$85,000,000,000 annually from \$76,000,000,000 in 1940 . . . the extra money is being spent chiefly for luxuries and semi-luxuries . . .

To date a billion and a half tons of U. S. shipping has been converted to foreign registry, mostly British . . . a million tons has been turned over to our own armed forces . . . it would take every explosive plant built or being built in the United States eight days at 24 hours each to turn out the explosives which the Germans dropped on the British Isles in one week of bombing . . . we don't like Hitler and we don't like Rooshuns either . . . the priority and price control lists are expanding and changing from day to day and a fellow doesn't know at any moment whether he's in business or not . . . at the mercy, perhaps, of a fellow who doesn't know a grease cup from a screw driver . . . and so, far into the night.

The myriad problems that the American Bankers Association in its long and distinguished history has had to face were small indeed compared to those that lie ahead. For a while, at least, all business is going to operate under rules as unpredictable as a sneeze, and the condition of some administrator's liver will be more important than the law of supply and demand.

The Mouse Trap Law

BUT in the midst of all this confusion and emergency planning there is one very old economic law that can never be repealed. It's the rule about making better mouse traps than the other trap-makers and having the customers beat a path to your door.

The public will need bank services next year and after just as they do today. Better service, aggressively merchandised, is a salable article today and under any conceivable circumstances in the future. Individual effort and initiative are still our own to use if we like and there's no OFCCGI in Washington, Office for the Control of Competition in Good Ideas.

Seven Chicago Conventions

SINCE 1875, when the first national convention of the American Bankers Association was held in Saratoga Springs, New York, Chicago has been host to the A.B.A. six times and is scheduled to entertain the 1941 delegates to the 67th convention from September 28-October 2, 1941.

Only two other cities in which A.B.A. conventions have been held have vied with Chicago in popularity with the banking delegates. These are: Saratoga Springs, which has had seven conventions, the last in 1890; and Atlantic City, with six, the last in 1940.

National conventions have come to be the accepted channel in America through which members of the same industry or profession exchange ideas and promote improved business practices within their borders. Each year the problems confronting the American banking system are placed before the delegates to the A.B.A. convention and the best solutions are explored.

On these pages BANKING recalls, with the aid of old newspaper clippings, the previous A.B.A. conventions that were held in Chicago.

At Saratoga in 1875, 250 banks were represented—New York Daily Tribune, July 21

THE BANKERS AT SARATOGA.

ORGANIZATION OF THE CONVENTION.
THE UNCERTAINTY AS TO THE OBJECTS OF THE MEETING—BANKING TOPICS ALONE TO BE DEBATED—A REFUSAL TO HEAR GOV. BIGLER—BANKERS' GRIEVANCES STATED—SPECIFIC PAYMENTS UP FOR DISCUSSION.

[FROM A STAFF CORRESPONDENT OF THE TRIBUNE.]

SARATOGA, July 20.—It was a matter of some doubt among the 250 representatives of National Banks who assembled in the Town Hall here this morning, and even among those who had originally projected and called this convention of Bankers, as to the precise purpose for which they were met. It was stated in the original call that pleasure and better acquaintance were the first objects, and a general interchange of banking experiences—a sort of financial love feast—the principal purpose. A second invitation further intimated that all questions of a political or sectional nature were to be carefully avoided. But the members met this morning without any definite idea of what was to be done. A general suspicion seemed to prevail that axes of some sort were to be ground, and an equally general determination prevailed that they should not be ground without opposition. This spirit and suspicion was so general that when, early in the first half hour's session, a zealous Philadelphia banker named Cudder proposed that Gov. Bigler be invited to address the Convention on the subject of the Centennial, the suggestion was rejected with such ardor and by such an overwhelming vote as to indicate there was some undercurrent of opposition which could not be divined. I made careful inquiry, however, among those who were most active in opposing the proposition, not only on its first offer, but upon its subsequent renewal, and could discover nothing more than an inauspicious disposition to take up for discussion subjects foreign to the objects of the Convention. The discussion of the Centennial was decidedly foreign to the purposes of the convened bankers, since their business is to learn how to make money and not to listen to arguments intended to take money out of their pockets, for Gov. Bigler is still on his grand begging tour asking for \$3,000,000 for the National Fair.

MANY BANKERS THE COINAGE OF SILVER DISCUSSED.

ADDRESSES BY LYMAN J. GAG, EDWARD S. LACEY AND OTHERS.

CHICAGO, Sept. 23.—The eleventh annual session of the American Bankers' Association began here this morning with a large attendance, fully 500 representatives of the banking interests from every leading city in the Union being present. The meeting was called to order shortly after 10 o'clock by Lyman J. Gag, of this city, president of the association, who delivered an address touching upon the silver issue and other matters likely to engage the attention of the delegates. Mr. Abbot spoke in part as follows:

There is a wide-spread feeling that the laws of our commercial life are so unscientific in their nature, and a growing belief that a more thorough comprehension of these laws will enable us to avoid many evils which just ignorance has invited. It is this sentiment that gives strength to your association among bankers, and attracts to it the support and sympathy of the public mind. There is also a quick public instinct which perceives that as bankers you have a large share in the direction of a force or influence which, next to the powers of steam and electricity, has been the most potent in promoting the material progress of the last half of the nineteenth century. The name of this power or influence is credit. If it cannot claim place as a physical energy, it may be traced as an influence which has made physical energy effective to social ends; an influence without whose intervention and co-operation the great triumphs of mechanical forces would have been but half achieved. In a practical way it may be said that it is the office or function of credit to secure the willing transfer of capital from points where it is least required to points where it is most required; from a possession where it has inert and unproductive to a possession where it may be made fertile in new production; to withdraw it from the control of the indolent or unqualified and place it under the direction of the enterprising and energetic. If it does accomplish these results it is entitled to recognition as an economic influence of the highest importance. Thus, through the agency of credit, there has been brought to the great work of railroad construction, partly from the savings of our own people, and partly by contributions of capital from abroad, the great sum of \$3,000,000,000, as evidenced by the existing bonded debt of our national corporations. In a hundred other ways credit has aided us in building the wilderness, making it fit for the habitation of civilized man; it has dotted our prairies with school houses; it has bridged distant rivers; it has built cities, and if fire has destroyed them the beneficent influence of credit has brought new millions to the work of reconstruction. The almost magical restoration of the city where you are to-day assembled is the most eloquent witness of the last proposition. In our late civil war it gave to the promises of the Government a power sufficient to bring into the public treasury a total in value of about \$3,000,000,000 to be swallowed and forever lost in the destructive

A record of the first convention held in Chicago in 1885—New York Daily Tribune, October 2

Lewis E. Pier-son, now honorary chairman of the Irving Trust Company, New York, right, was elected president of the A.B.A. at the Chicago convention of 1909



BLANK-STOLLER
BANKING

BANKERS IN CONVENTION.

THEIR ASSOCIATION IN ANNUAL MEETING IN CHICAGO

PAPERS BY CONTROLLER ECKELS, JOSEPH C. HENDRIX AND OTHERS—AN EVENTFUL SUMMER REVIEWED BY THE FINANCIERS.

Chicago, Oct. 12.—One of the large recital rooms of the Art Institute was filled nearly to overflowing this morning when W. H. Rhawm, of Philadelphia, president of the American Bankers' Association, called to order the nineteenth annual convention of that organization. These among other financiers were present: S. S. Barret, Louisville, Ky.; Joseph C. Hendrix, New-York; George W. Adams, New-York; Clinton McCarthy, Louisville; H. H. Wellington, Adams, Mass.; E. A. Hewitt, Louisville; G. Gunby Jordan, Columbus, Ga.; Charles Warren, Louisville; S. Goldstein, Washington; George S. Coe, New-York; W. H. Rhawm, Philadelphia; E. H. Pullen, New-York; W. C. Cornwell, Buffalo; R. O. Leigh, Clinton, N. Y.; Frank R. Howe, Troy, N. Y.; William A. Lombard, New-York, and Walter E. Frew, Long Island City. Mayor Harrison welcomed the assembled bankers after prayer had been offered by the Rev. Dr. Thomas, and response was made by President Rhawm. His address was largely statistical, and among other things he gave a resume of the liabilities of the banks which have suspended during the year up to the end of September. He attributed the panic to the silver-purchase clause of the Bland-Allison law exclusively, and on the consequent shock to confidence of European investors in American securities. He closed his remarks with a tribute to President Cleveland for the stand he had taken for sound currency.

After the roll had been called by the Secretary, brief reports were submitted from the Executive Council, and the financial statement of the organization was also read. James H. Eckels, Controller of the Currency, was next presented, and was greeted with applause. Among other things the Controller said:

It is no exaggeration of statement to say that the happenings of the months past from May to September must be accounted the most remarkable in every phase of financial bearings ever experienced by the American people. Heretofore in our financial distresses the test of solvency has always been applied to store and factory, to great industrial enterprises and railway corporations, but within the period of these months an afflicted people, fearful of the resultant effects of a financial system vitiated by ill-advised and ill-considered legislation, became for the first time doubtful of the distinctively financial institutions of the country, the banks, and as a consequence a steady drain upon deposits was begun until within the period of two months, from May 4 to July 12, from National banks alone had been drawn out more than \$93,000,000, and from State savings and private ones a sum as great, not for purposes of trade or investment, but to lie in wasteful idleness, thus rendering the soundest institutions helpless and a complete currency starvation in the midst of absolute plenty.

After referring to the changed conditions now existing, the Controller said:

But it is said that in bringing about a different set of financial laws the banking interests must hold aloof. It is a striking illustration of the extent to which unreasoning passion and prejudice have crept into our politics that in the present emergency which confronts the country, bankers are compelled to hesitate as to the advisability, from the standpoint of prudence, of actively urging the repeal of the measure which stands confessedly as the source in the largest degree of past disasters and a dire menace to future prosperity. Surely the banking interests of the country are vast enough and of sufficient import to warrant a respectful hearing and careful consideration without arousing either the passions or prejudices of any fair-minded citizens of the Republic. It may be that bankers are selfish, but not more so, I venture, than men in other walks of life. Surely not more so than the silver interests, which to-day in-veigh the most loudly against them, and yet with

Robert F. Maddox, now a director of the First National Bank, Atlanta, Ga., became president of the Association at the Chicago convention of 1918



WARNS BANKERS Bab

ST LOOK TO THE FARM.

ident Reynolds Favors Central Bank—Murray and Cannon Speak.

Chicago, Sept. 14.—Warning that the United States soon cease to be an exporter of foodstuffs was to the American Bankers' Association to-day James J. Hill, chairman of the board of the Northern Railway. At the close of the first session of the thirty-fifth annual convention of the organization here Mr. Hill made an address, which he said:

The idea that we feed the world is being questioned, and unless we can increase the production and their product the question of a market abroad.

It is possible condition, he said, was due to the increased tendency of the rural population to leave cultural pursuits and seek city life. In corroboration of this he cited the decrease in the acre of farm lands in the Eastern States, and stated the conditions in European countries are those in the United States. All through the address Mr. Hill sought to impress on the bankers that future prosperity is to come in the development of agriculture rather than in an extension of foreign markets for manufactured goods. He spoke, in part, as follows:

We have almost reached a point where, owing to increased population without increased production acre, our home food supply will be insufficient for our own needs; within ten years, possibly less, we are likely to become a wheat importing nation. The percentage of the population engaged in agriculture and the wheat product per acre are both falling; at the same time the cost of living is rising everywhere by this relative scarcity of food, by artificial increase in the price of all manufactured articles, and by a habit of extravagance which has enlarged the view of both rich and poor of what are to be considered the necessities of life. These plain facts should disturb and alarm not only the economic student, but the men who are most intimately related to the wealth of the nation and most concerned that it shall not suffer loss or decrease.

Mr. Hill asserted that the majority of people fail to realize practically the declining status of agriculture in the country. He added:

Our views are based on the statistics of farm values.

Although this report of the 1909 Chicago convention is somewhat mutilated, it can be discerned that the agricultural problem was then, as it is now, a problem for bankers.—New York Daily Tribune of September 15

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Resolutions

Chicago, 1933

THE year that has elapsed since the membership of this organization met in convention at Los Angeles has been the most eventful in the long history of the American Bankers Association. We have experienced the banking crisis that led to the temporary suspension of activity by all banks in March of this year. Following the banking crisis there came a period of extraordinarily rapid expansion of business activity during which the prices of securities and commodities advanced, production of goods increased, and unemployment was diminished.

During this recovery almost every operating condition relating to banking has been improving.

While this betterment of general business conditions was in process, this nation suspended the gold basis for its currency and enacted permissive legislation providing for monetary and credit inflation. In the same session of the Congress new legislation was enacted providing for sweeping changes in our banking system and procedure. These events and developments have been accompanied by many others almost equally important and unprecedented. They have contributed in combination to make the past twelve months a year beset by strange perplexities and grave difficulties for bankers.

It has already become evident that the new Banking Act of 1933 does not provide a satisfactory and adequate legal basis for



the suspension and liquidation of thousands of banks which, many communities of any ties, and would entail new credit deflation that would nress and impair the prospect. If, on the other hand, the tried examinations should be official many institutions would to deposit insurance that qualify for its privileges. Under circumstances we believe that be found to postpone initial insurance until the authority can cause to be made study and report covering the

The American Bankers Association records its deliberate judgment, dangers involved in attempt at the beginning of 1934 the deposit insurance contained in the Act of 1933 are genuine holds that the whole project insurance embodied in that reconsidered, and it reiterates that the postponement phase of the project is of little value.

We pledge our support in the recovery campaign by the American Bankers Association. We believe that the support that is in the long and helpful is that which the principles of sound bank



Francis Marion Law, president, First National Bank of Houston, Texas, above, was elevated to the A.B.A. presidency at the Chicago convention of 1933

History repeats—at the 1918 Chicago convention bankers were aiding in defense financing for World War I—New York Times of September 24

The October 1933 BANKING, in recording that year's convention, states that "the year just elapsed has been the most eventful in the history of the Association"

In this account of the 1924 Chicago convention the New York Herald Tribune reports representation from 10,000 banks

Bankers Open Convention in Chicago To-day

Representatives of 10,000 Institutions Controlling \$6,000,000,000 to Discuss Weighty Problems

Special to The New York Herald Tribune
CHICAGO, Sept. 23.—Leading financiers from all parts of the country were arriving in Chicago to-day to attend the annual convention of the American Bankers' Association, which opens to-morrow.

Bankers representing 10,000 institutions are expected to be in Chicago during the sessions of the convention which will be held Tuesday, Wednesday and Thursday mornings in the Auditorium Theater.

Among the early arrivals from the West to attend the convention were Irving H. Hellman, head of the Hellman Commercial Trust and Savings Bank, one of the largest financial houses in Los Angeles, and W. L. McKee, vice-president of the Hellman institution. Mr. McKee is a former Chicagoan and for a number of years was vice-president of the Fort Dearborn National Bank, which was recently absorbed by the Continental and Commercial National Bank, with which institution Mr. McKee was associated until about a year ago, when he went to Los Angeles.

The Association of Bank Women will

meet at the same time. Jane Adams, of Hull House, and Mrs. Mabel Reinecke, collector of internal revenue, will address the women's meeting.

While here, the bankers, who represent the control of nearly \$6,000,000,000 will pay particular attention to Chicago banking conditions, especially the local system of outlying banks.

Postmaster Arthur C. Lueder to-day announced that he would establish a temporary branch postoffice on the ninth floor in the Congress Hotel for the convenience of the bankers.

Mrs. Helen Varick Boswell, of New York City, who holds the distinction of being the only woman in the East appointed vice-president of a bank and who is vice-chairman of the speakers' bureau of the Republican party in New York, arrived to-day. New York is sending in a special train its delegates, and some to be picked up en route. Another special train will come from Texas and Oklahoma, another from Kansas City, and others from Atlanta, Minneapolis and points in Michigan.

Some of the best known figures in the business world will address the gathering of bankers, among them being Arthur Reynolds, president of the Continental and Commercial National; C. H. Markham, president of the Illinois Central Railroad; Edwin T. Meredith, farm paper publisher and former Secretary of Agriculture; Dwight W. Morrow, partner in J. P. Morgan & Co.; John E. Edgoston, president of the National Association of Manufacturers, and Senator George Wharton Pepper.

These are the men who will discuss business problems of the day with the main convention, but throughout the week there will be separate gatherings of the various divisions of the association, such as state banks, trust companies, etc., which will draw their own

BANKERS CERTAIN OF LOAN'S SUCCESS

Chicago Convention Hears Promising Reports of Outlook for Liberty Drive

4,000 EXPECTED TO ATTEND

State Associations' Demands for Bigger Voice in Associations Likely to be Futile

Special to The New York Times
CHICAGO, Sept. 23.—Members of the American Bankers' Association gathered here to-day for the forty-fourth annual convention, which differed from any previous gathering of the body. This convention, meeting on the eve of the Fourth Liberty Loan campaign, was far more serious, and the patriotic, national note was more distinctly in evidence.

Discussion among the members at informal gatherings about the Congress Hotel, where the convention is in progress, had to do, not as normally with matters of individual concern, but with the broader field of national finance. There was no doubt in the minds of the bankers that the next loan would be oversubscribed. From every part of the country came the same optimistic note.

National bankers of the association are still in the saddle, and there were signs at the opening of the convention that their position was more secure than political gossip preceding the gathering had indicated. The fight which State banks purpose to make for more recognition has been expected to include an effort to set aside the custom of advancing the Vice President to the Presidency. They have circulated threats of picking a State banker for President instead of Vice President Robert J. Mac-

CLIPPINGS COURTESY NEW YORK PUBLIC LIBRARY

BANKING



FROM SKETCH BY GEORGE R. HALM

Above, the A.B.A. convention of 1878 in Saratoga Springs, New York, held in Town Hall, drew a full house

Below, the Stevens Hotel Grand Ballroom, where the 1941 A.B.A. Chicago convention sessions will be held. There's room for everybody . . . better come!



KAUFMAN & FABBY

Reducing the Cost of Savings

WHEN the Savings Division of the American Bankers Association began its current analysis of savings accounts it directed attention primarily to deposit structure and depositor behavior for effects upon the deposit liability of the bank. However, more has been learned about certain cost factors than in previous attempts directed solely at cost analysis.

When necessary to reduce savings costs, a bank is likely first to look at the amount of interest paid. Not much imagination is needed to choose a flat reduction in the interest rate. That is easy to understand. At least that was the opinion until the results of the A.B.A. analysis revealed changes in deposit structure and depositor behavior not contemplated when the lower rates were put into effect.

Like rain, a flat reduction in interest rate falls on the consistent saver and the "in and outer" alike. While it may bring about a satisfactory reduction in interest cost it may also bring undesirable consequences as well. A mere change in rate can exert no corrective influence on deposit structural weaknesses which may, on the other hand, get worse. Such a reduction displeases *all* depositors; it emphasizes the higher rate of competitors, with the probability of loss rather than maintenance or growth of deposits. The possibilities under a less generous method of computation or a split rate deserve exploration.

THERE are at least 79 different ways of computing interest at the same rate. The Savings Division will furnish a complete report of various methods, although the reductions possible under some of the less generous methods depend largely on the subsequent behavior of depositors.

Several savings banks in New York State have recently had an interesting experience in changing from one method to another. They had been paying from day of deposit until the end of the quarter, compounded quarterly. On January 1 of this year this group of banks changed their method, allowing six months' interest on amounts on deposit six months previous to semi-annual dividend period; three months' interest on amounts on deposit for less than six months and not less than three months previous to the semi-annual period. It was estimated that the banks would save from 3 to 7 per cent of the interest cost.

In operation, however, the depositors of some of these savings banks adjusted themselves to the new method by withholding deposits on which they would receive no interest and making passbook loans at the end of the interest periods in order to avoid loss of interest through withdrawals. As a result, most of these banks saved less than 3 per cent.

Some time ago it was general opinion that depositors didn't pay much attention to rates or methods of computation. From the experience of some of these banks, it appears that depositors have become very much interested and if they can adjust themselves to the method

Interest costs have often been pared when economies might have been effected in other ways. The Committee on Savings Development of the Savings Division will have ready at the time of the Chicago convention in September a rather voluminous report based on the research conducted during the past two years. This report will, in addition to methods of computation and split rates, discuss the merits of inducement or bonus accounts, free balances, activity charges, money orders, and other devices which will enable banks better to compete in the savings business.

they can to some extent nullify the reductions sought. Consideration should probably be given to effecting reductions by the most equitable methods which at the same time put the depositor as well as the bank to the least inconvenience.

SPLIT rates, which are as old as the savings business, have recently been resurrected in two new forms as possible solutions for existing problems. The *split rate based on the age of the account* strives to effect economies, at the same time rewarding the consistent saver as against the "in and outer."

The principal virtue of the *split rate based on size of account* lies in its encouragement of new accounts which are usually small. The main objection to this type of split rate is that its adoption usually results in rather heavy withdrawals from the large accounts which are normally inactive and therefore the more profitable to the bank.

Many of the criticisms of the split rates, principally on the assumption that the work of computation is too great, have been disproved by the banks which have been operating under split rate plans the last year or so.

Analysis indicates that the majority of accounts in many of the mutual savings banks as well as in the savings departments of commercial banks are not actually savings or thrift accounts. Accounts which have stayed on the books at from \$5 to \$25 for several years with a great deal of activity are "sugar bowl" accounts with little hope of becoming real savings funds.

Particularly in savings banks, where there is a natural disinclination to install activity charges, the interview method should probably be the first step in the attempt to reduce over-activity. Some banks have reported reductions in activity as high as 85 per cent simply through interviews with offending depositors. If the interview method fails, as it often does, the second step might be the adoption of the requirement of a free balance of \$25 or \$50 upon which no interest is paid. Banks which dislike the free balance idea because of its discouragement of youthful depositors might exempt depositors under 18 years of age from this policy.

Where the bank for several years has permitted the abuse of the withdrawal privilege to a point where cus-

ESTIMATED REDUCTIONS IN INTEREST PAYMENTS UNDER VARIOUS SPLIT RATE INTEREST PLANS

Bank No.	Based on Tenure of Deposit		Based on Size of Account		
	3 yr. min. bal. Col. 1 %	5 yr. min. bal. Col. 2 %	\$1,000 Cut-off Col. 3 %	\$3,000 Cut-off Col. 4 %	\$5,000 Cut-off Col. 5 %
1	15.0	22.5	16.0	11.29	4.70
3	25.0	33.0	14.5	11.95	2.63
4	20.0	33.0	17.0	13.90	7.16
5	27.0	35.5	12.8	7.05	1.94
9	24.5	33.0	15.9	12.05	4.33
10	30.5	39.5	16.8	13.24	9.25
11	29.5	36.0	13.2	5.34	1.46
12	22.5	28.5	15.5	10.26	4.53
13	24.5	37.5	17.0	15.49	8.96
14	23.5	32.0	16.0	11.34	3.76
24	10.0	16.0	12.5	9.08	.35
25	16.0	22.5	16.8	13.44	6.42
27	15.5	23.0	15.3	9.71	2.23
28	17.5	23.5	14.1	11.32	2.32
29	43.0	48.5	11.8	4.29	1.39
30	11.5	18.5	11.9	10.53	.71
44	21.0	27.5	16.0	11.77	6.39
45	29.5	37.5	15.5	12.03	4.85
46	34.5	43.5	10.8	5.03	2.37
47	20.0	28.5	16.3	13.13	6.20
48	16.5	25.0	13.8	12.56	2.46
49	44.0	47.5	16.1	10.48	5.31
50	22.0	31.0	15.7	12.28	5.38
51	29.0	38.0	15.1	9.49	4.25
52	15.5	21.5	12.0	10.21	.11

- COLUMN 1: *Based on Tenure of Deposit.* Split rate: the bank's present rate on three year minimum balance plus half the present rate on other funds.
- COLUMN 2: *Based on Tenure of Deposit.* Split rate: the bank's present rate on five year minimum balance plus half the present rate on other funds.
- COLUMN 3: *Based on Size of Account.* Split rate: the bank's present rate on first \$1,000 (or fraction thereof) of each account plus three-quarters of the present rate on that part of any account in excess of \$1,000.
- COLUMN 4: *Based on Size of Account.* Split rate: the bank's present rate on first \$3,000 (or fraction thereof) of each account plus three-quarters of the present rate on that part of any account in excess of \$3,000.
- COLUMN 5: *Based on Size of Account.* Split rate: the bank's present rate on first \$5,000 (or fraction thereof) of each account plus three-quarters of the present rate on that part of any account in excess of \$5,000.

tomers regard their accounts as commercial accounts, the activity charge may be the only solution.

In 1939 the Irvington (New Jersey) National Bank adopted a policy limiting free withdrawals to one for every \$100 of balance in a semiannual interest period with a charge of 15 cents for each excess withdrawal. The income from the charges is incidental but the record of two years under this plan shows not only a correction of its tremendous over-activity but also an improvement of its deposit structure.

When a bank changes from what it is doing today to another method of interest payment, not only is interest cost reduced, but there will also be changes in the deposit structure and liability. Hence it is important be-

fore any change is made to examine the bank's condition and know in advance what will likely happen.

The table included in this article, and based upon the five split rate arrangements analyzed so far, indicates the reduction in interest cost which certain banks have effected. The table shows that while one type of split rate may be desirable for one bank, it may be unsatisfactory for another. While the table shows the estimated reductions which would be brought about by a change in interest policy, it does not show the changes which would occur in the deposit structure.

J. R. DUNKERLEY
Assistant Secretary
Savings Division

ORGANIZATIONS AFIELD

JOHN J. McCANN reports on activities of national, state and local bankers' organizations.

Defense Clubs

REMINISCENT OF World War I and the Liberty Loan savings clubs, we now have same reports of defense bond savings clubs sponsored by members of the NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS. The club operates on the same principle as Christmas and vacation savings plans. Coupon or passbooks are issued to the member and he saves weekly amounts which are later converted into the equivalent defense bond. Following the suggestion of the association, many institutions serving industrial payroll savings accounts are now encouraging bond sales. Other banks have adopted an employee payroll deduction bond plan modeled after the system designed by the board of governors for employees of the Federal Reserve System.

Junior Group

TWO NEW junior banking groups have formed permanent organizations recently. NEBRASKA BANKERS ASSOCIATION gave its blessings to an independent junior association last month and recommended that the ties with the parent group be no more than a guide for self development. Also, at the final session of a two-day conference, the IOWA JUNIOR BANKERS ASSOCIATION, composed of employees under the level of cashier, announced its intention of becoming a permanent active group.



Customer Relations

KENTUCKY BANKERS ASSOCIATION offers an all-expense trip to its Fall convention to the winner and his wife (or husband) of a special customer relations contest. The contest poses a hypothetical letter inquiring why a service charge was imposed on an individual's checking account. The award will be made to the best reply of 500 words or less. Here is a worthy effort to discourage the rather cryptic reply to this frequent inquiry: "Sorry, madam, but that's the clearing house rule." The contest is open to all employees and officers (under assistant cashier) of Kentucky banks. The winning letter will be published in the association journal and recognition will be made at the convention.

Farm Study

THE AGRICULTURAL committees of both the LOUISIANA and MISSOURI bankers associations sent 175 representatives last month to study modern farming methods and financing as developed by the First National Bank of Clarksville, Tennessee. The banking delegation was entertained for two days by President C. W. Bailey, who developed a one-crop, poverty-stricken community

AMERICA ★ ★
LOOKS AHEAD

A Screen Editorial
with
LOWELL THOMAS

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25,000,000 Americans have seen the I.B.A. film "America Looks Ahead"

into one of the most productive farming sections in the South with a program familiarly known as "The Four Pillars of Income". Chief interest of the delegation was centered on the promotion of pure-bred beef and dairy cattle. Numerous agricultural county groups also participated in this event.

IBA Publicity

"AMERICA LOOKS AHEAD", a documentary public relations film circulated by the INVESTMENT BANKERS ASSOCIATION, has become the focal theme of an important national program. The ten-minute version of the film has been shown in more than 3,000 neighborhood theatres to an estimated audience of 25 million. Within the last few months more than 500 educational institutions have booked the longer version for Fall showings. In addition, a number of state and university visual education libraries have adapted the film for circulation among their respective high school subscribers. The film is an inspirational chronicle of the development of investment banking with running commentary by Lowell Thomas and Dr. Neil Carothers, dean of the School of Business Administration, Lehigh University.

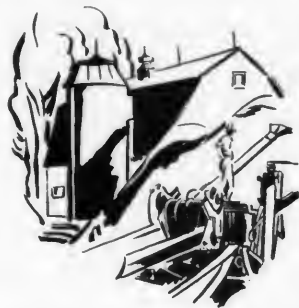
Personnel Changes

AT THE REQUEST of the membership, the MASSACHUSETTS BANKERS ASSOCIATION makes an innovation with a regular monthly personnel bulletin which reports promotions, resignations and deaths in the official staff of member banks. The information is, of course, contributed by the banks as changes occur. These data will serve as a supplement to the membership directory and will be completely up-to-date at all times. The service is also considered to be very desirable at the present time in view of the abnormal activity in personnel due to military conscription and bank expansion.

Banker's Day

THE OREGON BANKERS ASSOCIATION recently conducted "Banker's Day" at the 4-H Club Summer

School, Oregon State College, Corvallis. Following an address by President Booth to the 2,200 students, the O.B.A.'s trophy for the outstanding 4-H Club girl in leadership and achievement was officially presented to the Club and accepted by H. C. Seymour, State Club leader. The O.B.A. has endeavored to hold membership attendance at this annual event at 75 bankers. Similar effort is also directed to the Future Farmers of America. Both the 4-H clubs and the FFA participate in the annual O.B.A. contest.



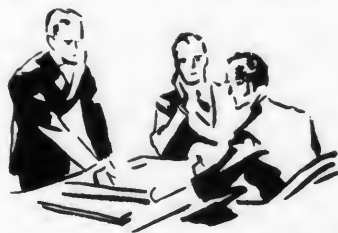
Grain Crop

THE AGRICULTURAL Committee of the SOUTH DAKOTA BANKERS ASSOCIATION last month warned the membership via a jumbo postcard about the grain situation, suggesting immediate arrangements for storage facilities on lands

owned and controlled by members and their farmer friends. The problem in brief concerned the storage of 1,200,000 bushels of wheat peaked in July and August and the consequent drain upon transportation and available terminal elevator space. The warning further noted that the OPM and OPACS have allocated 10,000 tons of steel for the manufacture of storage structures for grain and the absence of restrictions on lumber. It pointed out also that the Government allows an advance of 7¢ a bushel on wheat on which they make loans to help cover cost of building storage on the farm.

Operating Ratios

THE MISSOURI BANKERS ASSOCIATION has published a statistical study of operating ratios for the year 1940. Full-page charts divide the picture into 4 categories: all Missouri banks; state member banks of the Federal Reserve; national banks; state nonmember banks of the Federal Reserve. Each group is analyzed in nine size classifications (100,000 and under to over 10,000,000). Ratios are given for sources and disposition of earnings; earnings on capital funds and total assets, and related factors; experience on loans and investments.



County Federations

ILLINOIS BANKERS ASSOCIATION is reviving interest and activity in the county federation plan of organization. A

member of the secretary's staff will soon tour the state to organize new groups and get individual programs under way. In counties where there are few institutions it is planned to combine their efforts with neighboring counties and form bi-county or tri-county federations. This method is expected to aid all state committees by delegating specific jobs to the various county groups.

Agriculture

FOR THE past 10 years, the NORTH DAKOTA BANKERS ASSOCIATION has consecutively won the 1,000 per cent A.B.A. efficiency rating for agricultural development. In recognition for this perfect score a special plaque will be awarded to the Agricultural Committee by the A.B.A. at the coming Chicago convention. The 37-page accomplishment report for 1940, just published, indicates that the 168 member banks have made another outstanding contribution to weed eradication, extension of sugar beet acreage, corn growing 4-H and FFA projects, prairie shelterbelt projects, cattle breeding and other projects.

Standard Forms

MICHIGAN BANKERS ASSOCIATION announces a new Committee on Standardization of Forms and Records. An appeal has been made to the membership to cooperate with this group by making it a "clearinghouse" of materials and ideas. Each member will send a complete set of present forms with notations as to their use. An analysis will be made with a view to developing the ideal forms and records for all departments. This information will be published in the near future and distributed to the membership. Several other state associations have embarked on similar projects.

Georgia's Defense Bond Week

ACTING ON the request of the GEORGIA BANKERS ASSOCIATION, Governor Talmadge proclaimed a Defense Bond Week, beginning July 28, for that state.

Plans for having every eligible institution in Georgia qualified for the sale of Defense Bonds and Savings Stamps prior to the week were made at a conference attended by state officials and officers and executive councillors of the association.

WYOMING ESSAY CONTEST

The Wyoming Bankers Association recently sponsored a state-wide high school essay contest on "A Bank's Service to the Community." In the picture, the winner, Harriet Morgan of Worland High School, receives congratulations from Guy Sturgeon, of Sheridan, president of the association. In the background are C. H. Parks of Cody, chairman of the public relations committee which directed the contest, and Miss Kathleen Snyder, association secretary



Control of Consumer Credit

THE plaudits of the nation's banks, high Government officials, and the press are being showered upon the Consumer Credit Council of the American Bankers Association, of which Kenton R. Cravens, vice-president of The Cleveland Trust Company, is chairman, for its leadership in the advocacy of voluntary restriction of terms, increases in equity payments, and improvements in practice, as was recommended in its recent Creed and Standards of Practice for banks doing consumer loan business.

In announcing this new Creed and Standards of Practice, Walter B. French, manager of the Consumer Credit Department, explained that the terms finally agreed upon in no sense were intended as a curtailment, but that rather they suggested good practice. He said, however, that in the light of the expansion in the consumer credit field since January 1 the standards proposed actually did represent curtailment.

American Bankers Association executives felt the banks, at least, should get together and agree on terms and then impose voluntary self-regulation. When the Standards of Practice were announced the consensus among consumer financing groups was and still is that unless there is strict self-regulation in this field, there will be government regulation, which might result in strangulation. Obviously, self-regulation is preferable.

THE wholehearted reception by the banks of the action taken by the Association is reflected in the comments which follow:

From a New England bank: "This (the Standards of Practice) has been given careful study by our officers and we are so favorably impressed with the contents that we would like to secure at least a dozen copies to pass along to some of our retail customers who are selling on credit terms and depending on us for all or a portion of their financing."

A Minnesota bank writes: "It seems to us that this is a sound statement of the basis, standards and terms which are desirable in consumer credit financing." This bank, also, requested extra copies of the Standards of Practice for distribution to customers "who now sell us their automobile or other paper."

A far-western bank writes: "We have read with more than usual interest the preamble which deals with consumer credit and we believe that the Creed, Standards of Practice, and also the recommended terms for time-sales financing merit close study and adherence by all credit-extending agencies; and, likewise, dealers. It strikes us with such enthusiastic approval that we would like very much to have extra copies to distribute to dealers . . ."

From a bank in Pennsylvania we hear: "We heartily agree that some restrictions should be placed on consumer credit. We intend to ask our directors to approve the schedule as recommended . . ."

The press universally commended the A.B.A. for its leadership in initiating self-regulation of bank consumer credit lending. Here are a few excerpts from editorial comments:

" . . . the Association has moved prudently to set up standards for private consumer borrowing appropriate to the times, without violently or prematurely dislocating the ordinary channels of consumer goods

New Philosophy

"There's more to this tightening of credit terms than just a movement to help control instalment sales.

"There are real indications of the development of a new philosophy of credit among the financial leaders of the nation—a philosophy aptly expressed in the American Bankers Association comment that 'a bank should endeavor to assist people to get out of debt rather than into it.'

"Until now, most bankers have been primarily interested in increasing their volume of loans. But this shortsighted attitude is disappearing. And the fact that the banking industry is setting up 'standards of practice' now rather than after the harm has been done, confirms that."—S. F. Porter in the *New York Post*.

distribution. Its proposed restrictions may prove insufficient; they are unlikely to be found too severe."—*Wall Street Journal*.

" . . . instalment lending, as a means of expanding or restricting credit, will also have an important role in preventing inflation, and its function should be considered, now that the Government is discussing economic planning with regard to ameliorating the effects of defense spending. It is with this in mind that the recommendations of the Council become worthy of serious study and action."—Hartford (Conn.) *Courant*.

"The bankers' group has no power to enforce its recommendations but the very fact that it has drafted them should cause individual lenders to ponder carefully the advisability of tightening up on terms.

"The A.B.A.'s suggestions are reasonable and will cause no hardship to the buying public. We hope they will be widely adopted."—Akron (O.) *Beacon-Journal*.

ACCEPTANCE of the principle of voluntary self-regulation not only by the banks but by other consumer financing and credit agencies as well, as suggested by the A.B.A., is indicated by several weathervanes. The first is found in the demand for copies of the Creed and Standards of Practice. More than 3,000 copies of these have been requested by and sent to banks, consumer credit associations, and others operating in the consumer credit field, over and above the department's original mailing.

Further evidence of this acceptance stems from the resolution adopted by the convention of the National Retail Credit Association late in June calling a conference in Chicago on July 28 of all those interested in consumer financing to consider down payment terms on a much broader basis than just banks and to formulate a code of restrictions.

Also, such giant sellers of retail goods as Montgomery Ward & Company, Sears, Roebuck & Company, and Consolidated Edison Company are making plans for the control of credit terms to time customers.

Are You a Dud?

A Word to Bank Workers, Particularly the Women

MAY F. McCUSKER

Miss McCUSKER, who is chairman of the National Women's Committee of the American Institute of Banking, is a standard certificate holder and, for a number of years, has held important posts in the New York Chapter. She is now assistant administrator in the Personal Trust Department of the Irving Trust Company, New York.

THE word dud is defined in my dictionary as "a shell or bomb that has failed to explode." Applying the word dud to an individual, it could be said a dud is one who fails to take advantage of an opportunity. In times such as these we cannot afford to have too many duds. Since a human dud can be of either sex and since I wish especially to concentrate on the women bank employees and their opportunities today, let us analyze a female dud.

What are the opportunities of which she fails to take advantage? One stands out in my mind and that is the failure of women to take full advantage of the American Institute of Banking courses. According to the report of the National Women's Committee for 1939-40 there were 53,767 women bank employees, 12,260 women members of the American Institute of Banking, 4,618 enrolled in standard, pre-standard and graduate courses, 2,423 enrolled in other courses, 3,875 holding pre-standard certificates, 2,670 holding standard certificates and 249 holding graduate certificates.

Percentage-wise, 22.81 per cent of women bank employees were members of the American Institute of Banking, 8.59 per cent were enrolled in standard, pre-standard and graduate courses, 7.21 per cent held pre-standard certificates, 4.97 per cent held standard certificates, .46 per cent held graduate certificates. The number of women employed in banks is steadily increasing and because of the national emergency will undoubtedly increase at an accelerated rate in the near future.

WHAT positions in banks are open to women? Taking the nation as a whole and not any one locality (conditions in various parts of the country vary) every position in a bank, even that of president, is filled by women. Everyone can't be president of a bank but all can strive for a better position than they now hold.

We find women throughout this nation today preparing themselves for a national emergency: as flyers to ferry planes for the Army, as ambulance drivers, fire wardens, etc. The American Women's Voluntary Services are reported as having 103,000 women volunteers ready for any war emergency. All of that is fine, but there is another type of preparation that is also important, the job of seeing that in any emergency the sign "Business As Usual" can appear. Being able to assume greater

Opportunity is not a fabulous touchstone, nor is it any of the marvelous things it has been called by writers of fiction and fancy. It is the insignificant things that we do each day that combine to form a ladder up which the individual climbs. We each and every one of us make our own opportunities. For one person to attempt to outline for another the exact course that will result in success would be futile. Because each person has her own capabilities and innate qualities which may or may not be found in the same degree in the person whom she is trying to guide, only a general outline for the guidance of many can be founded upon the experience of a large group. This is what the educational program of the American Institute of Banking does.

responsibilities requires more technical knowledge; in an emergency there is no time to explain details or principles. Good training in banking fundamentals would help. Even if such an emergency never occurs that training will be of inestimable value to the individual for her entire lifetime, whether she remains in the bank or not. A well informed employee is one of the bank's best salesmen. Women can sell banking to the public just as well as men can and by simple explanations can correct many misconceptions about banking held by their friends and associates.

WE DO not know what drastic changes in our economy lie ahead. We do know that preparation, education of both bankers and public, can help to smooth the future path of banking. It is my firm belief that women have not fully availed themselves of the opportunity to educate the public served by banks. It is in this particular field, public education, public affairs, and public relations, that women have their greatest opportunity today. In this way, they can serve their banks, their community and themselves.

By participation in local chapter public affairs programs, by familiarizing themselves with banking through the standard courses, and public speaking classes and clubs, they can evidence to the senior bankers in their community that they are not duds, but wide-awake employees.

Duds do merely the job they are hired to do without any conception of the effect of their work on the bank as a whole and the bank's part in community affairs. In other words, their horizon is limited and as time goes on they become disgruntled, dissatisfied individuals.

They cannot or will not avail themselves of the opportunities presented each day but cry that there are no opportunities today. That was the cry of many people 40 years ago when the American Institute of Banking was first started. In the 40 years since that time we have seen the development of radio, television, automobiles, airplanes and kindred industries. The people who were responsible for this development were too busy making their dreams come true to feel that they were being cheated by fate.

There is no one alive today who would dare or could prophesy what the industrial development in the next 40 years in this country will be, but we know from past experience that industrial development is closely allied with progressive banking. We also know that in recent times banking as a whole has been criticized for not taking a more active part in this development. Criticisms such as these are usually founded on lack of knowledge of the fundamentals of banking.

To correct the many false ideas which have grown in people's minds, based almost entirely on fallacies, is the job of every progressive banker. If women wish to consider themselves as bankers they must take an active part in this program and must be prepared to take the criticisms of uninformed audiences. Much good can be accomplished by educating the younger generation and this can be done by talks in public and private schools.

WE all know that education is after all a way of life and that active participation in the American Institute of Banking program affords the individual an opportunity to develop qualities of leadership. This is another opportunity that women have available today and of which, in many cases, they do not take full advantage. By participation in chapter programs they can enlarge their viewpoints through their association with other bank men and women. No group of people can assemble without an interchange of ideas. A dud would prefer to spend her time at the movies or some related activity.

When we think of women's committee programs we usually associate them with a form of social activity. Far be it from us to belittle social activities, but they must be combined with a serious program in order to maintain an intelligent balance and one in keeping with present conditions.

Whenever women tell me there are no opportunities for women today I always want to know what they themselves have done up to the present time. I usually find that they are waiting for someone to tell them what to do and how to do it. Initiative plays a large part in taking advantage of opportunities as does imagination. How one can develop initiative and imagination is one of the most difficult questions to answer. I believe that every individual possesses a certain degree of initiative and imagination and needs only to give herself a chance to use these qualities. Bank employees have this opportunity in committee work at their local chapters.

WHEN we recommend that women train themselves now for whatever the future may bring and suggest that they do this by taking the pre-standard and standard courses offered by the local chapters, let us see what they can learn from these courses:

Bank Organization and Operations—is a study of the practical, day-to-day operations of a bank, department by department. Its general theme is a description of the process by which the banking system functions.

Economics—covers problems of taxation, recent monetary developments, the problems of international economic relations, the causes and suggested controls of the business cycle, and the more significant economic trends which have developed in recent years. Special attention is given to the following subjects: the administration of production, personnel problems and their control, marketing management, the administration of finance, forecasting, the functions of the controllership, business management, and the use of records.

These are only two of the A. I. B. courses open to bank employees. The references have been taken from the catalog of the Institute and are given here merely for the purpose of showing what the courses offered could do in the way of providing the individual with information which will be valuable not only in a banking career, but in daily living.

Although it would seem that this article were in the way of a preachment it is not intended as such, but merely to show that there are many opportunities open today to women if they will but exercise their ingenuity and prepare for the future.

The honor of representing one's bank as a delegate to a national convention is the reward of many zealous A. I. B. students and workers. Here is a group of cheerful feminine delegates who have just arrived in San Francisco to attend the 1941 Institute convention. They were greeted by the young lady with the basket, who is a member of the San Francisco reception committee, and decorated with gardenias



PICTURE LOG Four Organization Executives



MC LAREN

Henry W. Koenke, president, The Security Bank of Ponca City, Oklahoma, and first vice-president of the American Bankers Association, recently paid a visit to A.B.A. headquarters in New York City. He was photographed in the conference room



ZION-BRYCE

P. D. Houston, *left*, president of the American Bankers Association, and (so the photographer's caption says) L. D. Galloway of Los Angeles, have a chat on the North Rim of the Grand Canyon, Arizona, during the Utah Bankers Association convention

Frederick P. Champ

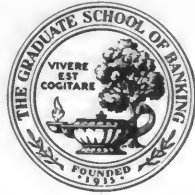


Mr. Champ, of Logan, Utah, has been nominated for president of the Mortgage Bankers Association of America which holds its convention in New York, October 1-3

Harvey L. Welch



Mr. Welch, vice-president and manager of the credit department, First National Bank in St. Louis, is president of Robert Morris Associates



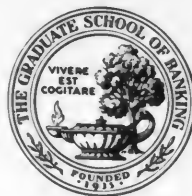
The Graduate School

CLASS OF 1915

- | | | |
|---------------------------------|------------------------------------|------------------------------------|
| <i>W. A. Abbott</i> | <i>Bart A. Brown</i> | <i>Allen F. Gilbert</i> |
| <i>Robert J. Adams</i> | <i>William J. Bryan</i> | <i>Louis C. Gosdorfer</i> |
| <i>Loren Baker Allen</i> | <i>Bart D. Buck</i> | <i>Alfred C. Graff</i> |
| <i>Erwin Schilling Anderson</i> | <i>Richard F. Burdett</i> | <i>Frank E. Grannen</i> |
| <i>Frank W. Anderson</i> | <i>Averill Everett Butterfield</i> | <i>Claude Lee Guthrie</i> |
| <i>Carmack Armistead</i> | <i>Edward L. Carpenter</i> | <i>William Torbert Ingram Hall</i> |
| <i>Thomas Eddings Arnold</i> | <i>Selden Clark</i> | <i>C. Wesley Hallett</i> |
| <i>Laurence Keith Arthur</i> | <i>William Lawrence Cleaves</i> | <i>Charles Clifton Hamlett</i> |
| <i>Lee C. Ashley</i> | <i>Wall G. Coapman</i> | <i>Louis H. Hammerstrom</i> |
| <i>Amandus Winfield Austin</i> | <i>Wallis Grey Cobb</i> | <i>Adolf H. Hanser</i> |
| <i>Howard Leroy Austin</i> | <i>Ray M. Cook</i> | <i>Charles Talmadge Hardman</i> |
| <i>Thomas W. Baker</i> | <i>Aaron B. Cox</i> | <i>Leo V. Harnden</i> |
| <i>William McKenzie Baker</i> | <i>Oscar Eugene Davis</i> | <i>Harry F. Harrington</i> |
| <i>Russell S. Baldwin</i> | <i>Paul Erskine Davis</i> | <i>John Heinrich</i> |
| <i>John J. Bannan</i> | <i>Robert S. Davis</i> | <i>Harry Held</i> |
| <i>George Barker Jr.</i> | <i>John J. Devlin</i> | <i>Francis Payne Hereford</i> |
| <i>Richard I. Barker Jr.</i> | <i>F. Stanley DeVoy</i> | <i>Harry P. Hillen</i> |
| <i>William J. Barret</i> | <i>Alexander Blanchard Dewar</i> | <i>Fred Holdsworth Jr.</i> |
| <i>George Robert Bartlett</i> | <i>B. Arthur Dudding</i> | <i>Guy Clare Hoskins</i> |
| <i>Kenneth F. Barton</i> | <i>Arthur J. Edwards</i> | <i>L. Forrest Hotchkiss</i> |
| <i>Herbert K. Baskin</i> | <i>John Frederick English</i> | <i>Kenneth O. Hulse</i> |
| <i>Robert G. Bayer</i> | <i>Sidney Louis Erwin</i> | <i>Reginald Jacobs</i> |
| <i>Alfred R. Bengston</i> | <i>John William Ferguson</i> | <i>Christ L. Jahns</i> |
| <i>Isaac Franklin Betts</i> | <i>Henry L. Fleet</i> | <i>Theodore William Johnson</i> |
| <i>Robert Austin Blakeslee</i> | <i>Harmen Bernard Flinkers</i> | <i>W. T. Judy</i> |
| <i>Douglas Taff Boddie</i> | <i>Walter Othello Ford</i> | <i>Carl Harold Kalb</i> |
| <i>Henry M. Bodwell</i> | <i>Roland H. Freitag</i> | <i>Leo M. Kelly</i> |
| <i>Steve Herren Bomar</i> | <i>Vincent E. Furey</i> | <i>Lemuel Joseph Kemp</i> |
| <i>Harold Elwood Bozarth</i> | <i>Raymond H. Geer</i> | <i>James H. Kennedy</i> |
| <i>Paul Wilson Brainard</i> | <i>John L. Gibbons</i> | <i>A. Irvine Kidston</i> |

School of Banking

CLASS OF 1941



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|----------------------------------|--|------------------------------------|
| <i>Sylvester Joseph Kryzsko</i> | <i>Russell Murphy</i> | <i>Crosby Tuttle Smith</i> |
| <i>Leon A. Laberge</i> | <i>Walter F. Murray</i> | <i>Harry Vance Smith</i> |
| <i>William F. Lackman</i> | <i>Jas. A. Musil</i> | <i>George A. Smyth</i> |
| <i>Allen Langston</i> | <i>C. Harold Nicolaus</i> | <i>Harold C. Soderman</i> |
| <i>James M. Large</i> | <i>George O. Nodyne</i> | <i>Frederic Solomon</i> |
| <i>E. Martin Larsen</i> | <i>John V. Nostrand</i> | <i>Robert W. Sparks</i> |
| <i>Paul William Lazell</i> | <i>John E. Obleyer</i> | <i>A. Kenneth Spaulding</i> |
| <i>Ernest S. Lee</i> | <i>John F. O'Neill</i> | <i>Delphin C. Stockman</i> |
| <i>Benjamin Cheever Lewis</i> | <i>Oran S. Parker</i> | <i>Harold R. Stone</i> |
| <i>Victor H. Lloyd</i> | <i>William Phillips</i> | <i>John H. Stull</i> |
| <i>Frank J. McCabe</i> | <i>William Edgar Powell</i> | <i>Greely Sturdivant</i> |
| <i>Joe McCarroll</i> | <i>William Thomas Strangman Quicke</i> | <i>Ralph Stronach Sullivan</i> |
| <i>Theodore Andrews McDowell</i> | <i>John Joseph Quinn</i> | <i>William A. Ten Eick Jr.</i> |
| <i>Alex Winfred McKenzie</i> | <i>Robert Benson Ray</i> | <i>Harvey Terrell</i> |
| <i>W. Lawrence McLane</i> | <i>Wm. H. Ressler</i> | <i>Charles Everett Terwilliger</i> |
| <i>Malcolm McMillan</i> | <i>Hermann Diedrich Roschen Jr.</i> | <i>Fred W. Tesnow</i> |
| <i>John S. Mabin</i> | <i>William O. Roth</i> | <i>Samuel T. Thorne Jr.</i> |
| <i>Ransom G. MacKenzie</i> | <i>C. Glenn Rye</i> | <i>J. R. Throckmorton</i> |
| <i>James Harlan Mann</i> | <i>Harry W. Sage</i> | <i>John L. Toomey</i> |
| <i>Anton Frederick Mannel</i> | <i>Arthur C. Sanders</i> | <i>Marinus J. Topp</i> |
| <i>William Chester Martin</i> | <i>J. Wallace Scanlon</i> | <i>Edmund J. Tuety</i> |
| <i>Howard Reber Mears Jr.</i> | <i>A. Edward Scherr Jr.</i> | <i>Warren B. Unbehend</i> |
| <i>Fred M. Merdinger</i> | <i>A. A. Searle</i> | <i>Fred L. Wagner</i> |
| <i>Fay Elra Mewborn</i> | <i>Seth H. Seelye</i> | <i>David M. Warner</i> |
| <i>Harry D. Milbank</i> | <i>George Edward Seifert</i> | <i>Edward Daly Weatherhead</i> |
| <i>William J. Miller Jr.</i> | <i>Paul John Seltzer</i> | <i>Heyward White</i> |
| <i>Marcus H. Millspaugh</i> | <i>Joseph P. Shaw</i> | <i>Milton R. Wismar</i> |
| <i>John Edward Monk</i> | <i>Morgan Langford Shaw</i> | <i>Thomas S. Woodland</i> |
| <i>Felix Montano</i> | <i>George F. Sloan</i> | <i>Wilfred Wottrich</i> |
| <i>Bailey Hill Moore</i> | <i>Paul V. Smeal</i> | <i>Edwin Bowles Wright</i> |
| | | <i>Joseph J. Zacchio</i> |

U.S.O. . . . G.S.B. . . . Eight New Presidents . . .



MCLAREN

Bankers in more than 1,300 cities of under 10,000 population were leaders in organizing local committees for the United Service Organizations drive. Lindsay Bradford, *above, left*, president of the City Bank Farmers Trust Company, New York, is national executive vice-chairman of USO. Mr. Bradford is a member of the A.B.A. Commerce & Marine Commission and of the Trust Policies Committee, Trust Division. *Above, right*, A. G. Brown, head of the A.B.A. Agricultural Credit Department, explains a point to his Graduate School of Banking class at the 1941 session

Some State Association Presidents

Here are eight more presidents of state bankers associations for the year 1941-42. Pictures of others, elected at the 1941 conventions, appeared in the June and July issues of BANKING.

MAINE
D. C. White, Lewiston



OREGON
J. B. Booth, Corvallis



UTAH
L. E. Ellison, Layton



WEST VIRGINIA
H. E. Laupp, Wheeling



WASHINGTON
Elmer Dahlin, Selah



ARKANSAS
B. L. Ross, Helena



MASSACHUSETTS
D. E. Hersee, Boston



SOUTH DAKOTA
L. T. Morris, Watertown



BACHRACH

Washington . . . Chapel Hill . . . Hendersonville . . .



WASHINGTON, D. C.—Financial Advertisers Association executives and Treasury Department Defense Savings Bond staff members have a look at *BANKING*. *Left to right*, Harford Powel, information director, Defense Savings Bond staff; Robert J. Izant, president of the FAA and vice-president, Central National Bank, Cleveland; Robert W. Sparks, associate field director, Defense Savings staff and vice-president on leave, Bowery Savings Bank, New York; and Preston E. Reed, executive vice-president of the FAA

CHAPEL HILL, N. C.—Two hundred twenty-five banker-students attended the fifth annual bankers conference at the University of North Carolina, sponsored by the North Carolina Bankers Association, the State Banking Department, and the University. *Below, left*, an informal group of students. HENDERSONVILLE, N. C.—*Right*, R. W. Leonard, assistant chief, Division of Examiners, Board of Governors, Federal Reserve System; Rowland Radford, chief examiner, Federal Reserve Bank, Atlanta; L. W. Barlow, supervising examiner, FDIC, Richmond District, at a conference of the Second District Members of the National Association of Supervisors of State Banks



Chicago Convention to Stress Defense Financing

Defense Work Is Aided by A.B.A. On Many Fronts

Projects Help Banks And the Government

A roundup by BANKING of the national defense activities of various American Bankers Association departments and divisions discloses that the projects now in progress or completed are mounting in number and importance.

Some of the activities, not previously mentioned in these pages, follow:

Legal Department

The Legal Department is exploring ways and means by which banks, by the use of trust receipts along with field warehouse receipts, can finance defense subcontractors who need additional working capital. Case histories are being assembled and if sufficiently informative will be summarized and distributed to banks.

The increased number of government checks in circulation, occasioned by the defense program, has accentuated the need of protecting banks which cash or give credit on government checks bearing forged endorsements. Hence the Legal Department is drafting a proposed six-year Federal statute of limitation to provide this much-needed relief.

Trust Division

President Carl W. Fenninger has sent a letter to all members of his division calling attention to the suitability of Series F and G Defense Savings Bonds as investments for trust funds. Mr. Fenninger pointed out

(Continued on page 94)

See Picture Story
On Page 76

A picture story recalling the six American Bankers Association conventions previously held in Chicago starts on page 76 of this issue of BANKING.

Edwards Praises A.B.A. and Banks For Bond Sale Aid

The "wonderful cooperation" of the American Bankers Association and of the banking fraternity has been "most helpful" in the Defense Savings Bond campaign, said B. M. Edwards, Assistant to the Secretary of the Treasury, in a letter to William T. Wilson, director of the A.B.A. Public Relations Council.

Mr. Edwards, who is banking consultant on the defense savings staff, in expressing the Department's appreciation for what the banks had done, said it was "most encouraging to see that the American Bankers Association and the banks are not letting up."

Mr. Edwards also commended the talks prepared by the Council for the use of bankers in promoting the sale of defense securities.

"These talks are well prepared and present an excellent picture of what we are trying to encourage—thrift and the preservation of democratic ideals," he wrote. "I am sure that bankers throughout the country will welcome the opportunity of making use of this material."

Mr. Edwards is president of the South Carolina National Bank, Columbia, S. C.

Big Program Is Planned for Association's 67th Annual Meeting Sept. 28-Oct. 2

Financing the national defense program and hemisphere solidarity are the themes on which the program for the Chicago convention of the American Bankers Association is being built.

Under the direction of President P. D. Houston, arrangements for the annual A.B.A. meeting Sept. 28-Oct. 2 have been going

forward for some time, with particular emphasis on speakers and subjects for the general sessions and the division meetings. Convention headquarters are at the Stevens Hotel.

Although the program was still incomplete at the time of going to press, it is expected that several speakers of national prominence will address the bankers.

Every effort is being made to provide a program that will embrace not only the many immediate tasks of chartered banking, but the broad problems incident to the world crisis, particularly those confronting the Americas.

Meanwhile, 13 committees of Chicago bankers are at work on local plans for the convention. The chairman of the general committee is Philip R. Clarke, president of the City National Bank & Trust Company.

Roundtable discussions on current, practical banking problems are again to be featured. Several of these popular discussion sessions are scheduled, covering consumer credit, real estate mortgages, and bank operations, among other subjects.

Divisional meetings will be held on opening day, the State Bank and Savings Divisions holding their annual sessions that morning while the National Bank and Trust Divisions, and the State Secretaries Section meet in the afternoon.

The annual inaugural ceremony, at which the new presi-

(Continued on page 93)

Plan Mortgage Clinic in East

Bankers to Meet in Philadelphia

A real estate mortgage clinic for the benefits of bankers in New Jersey, Maryland, Delaware, District of Columbia and eastern Pennsylvania, to be held at the Bellevue-Stratford Hotel in Philadelphia, Oct. 30-31, is being arranged by the American Bankers Association under the direction of W. Espey Albig, secretary of the Savings Division, and Dr. Ernest M. Fisher, director of Research in Mortgage and Real Estate Finance.

Although the program is incomplete, tentative topics for discussion include: (1) judging the quality of proposed new mortgage loans; (2) operating reports of the mortgage loan department; (3) making mortgage construction loans; (4) standards of construction; (5) insured mortgages; (6) competition in mortgage loans; (7) adjusting the provisions of a mortgage loan to anticipated changes in the character of the environment; (8) adjusting mortgage lending policies to changes in the real estate market; (9) management and disposal of other real estate; and (10) real estate and mortgage problems in the national emergency.

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Seattle Host to Far West Trust Men Aug. 6-8

A.B.A. Conference Features Forums

"Meeting Today's Challenge" is the theme of the program for the 19th Regional Trust Conference of the Pacific Coast and Rocky Mountain States to be held in Seattle, Wash., Aug. 6, 7, and 8, under the auspices of the American Bankers Association Trust Division.

Carl W. Fenninger, vice-president of the Provident Trust Company, Philadelphia, is division president.

The Corporate Fiduciaries Association of Washington and the Seattle Association of Trust Men will act as conference hosts. Robert W. Sprague, vice-president and trust officer, The National Bank of Commerce of Seattle, is general chairman of the conference.

Governor Sprague to Speak

Governor Charles A. Sprague of Oregon will be guest speaker at the annual banquet on the first evening of the conference. The second afternoon and evening will be devoted to entertainment planned by the local committee.

Symposium and forum meetings will be special features. The investment symposium will be under the direction of C. Alison Scully, vice-president, Bank of the Manhattan Company, New York City, and the new business forum will be led by Don R. Cameron, trust officer, Union Bank & Trust Company of Los Angeles.

D. J. Needham, general counsel of the A.B.A., Washington, D. C., will speak at the second session on "Events in Washington and Current Legislative Trends."

A question box period at the closing session will be under the direction of Samuel C. Waugh, executive vice-president and trust officer, The First Trust Company, Lincoln, Neb., and former president of the division.

Three A.B.A. Membership Workers



Fred Marin



Dwight S. Pierce



Edgar A. Craig

Mr. Marin, A.B.A. State vice-president for Michigan, and president, Bank of Lansing, directs membership activity in that state. Mr. Pierce, Massachusetts state vice-president and president of the Worcester County Institution for Savings, and Mr. Craig, treasurer of the Dorchester Savings Bank, have been successful in obtaining members among Massachusetts mutual savings banks

Trust Conference Committees Picked

Appointment of committees for the 12th Mid-Continent Trust Conference, to be held at the Hotel Statler, St. Louis, Nov. 6 and 7, 1941, under auspices of the Trust Division, American Bankers Association, has been announced by Carl W. Fenninger, division president.

The Corporate Fiduciaries Association of St. Louis and the St. Louis Clearing House Association are hosts to this conference. W. L. Hemingway, president, Mercantile-Commerce Bank and Trust Company, and second vice-president, A.B.A., is the chairman of the advisory committee: Clarence D. Cowdery, vice-president, Boatmen's National Bank of St. Louis, is president of the Corporate Fiduciaries Association of St. Louis; and David R. Calhoun, Jr., vice-president, St. Louis Union Trust Company is chairman of the committee on arrangements.

Other committee chairmen are: Entertainment, Royal D. Kercheval, vice-president and trust officer, Boatmen's National Bank; publicity, Towner Phelan, vice-president, St. Louis Union Trust Co.; attendance, Joseph W. White, trust officer, Mercantile-Commerce Bank and Trust Co.; program, Milton R. Stahl, vice-president, Mississippi Valley Trust Co.; hotel, T. H. Wigge, trust officer, Security National Bank Savings and Trust Co.

Payroll Deduction Plan For Bonds

The A.B.A. Public Relations Council has sent to more than 600 bankers timely information about the work of the banks in connection with the Defense Savings program.

A chart as of July 2, 1941 reveals that approximately 81 per cent of national banks, 53 per cent of state banks, and 84 per cent of mutual savings banks had qualified as issuing agents for Series E Bonds.

The Council also sent a simple payroll deduction plan for the sale of the securities, available to state bankers associations for distribution to local bankers. The plan is also adaptable to the banks and may be recommended to customers.

A.B.A. Convention

(Continued from page 92)

dent of the Association is formally inducted, takes place on the evening of Oct. 2.

In addition to Mr. Clarke, chairmen of the local Chicago committees are:

Executive, Fred A. Cusaden, Northern Trust Co.; finance, John J. Anton, First National Bank; information and publicity, Kent C. Childs, Continental Illinois National Bank & Trust Co.; reception, Walter B. Allen, Continental Illinois National Bank & Trust Co.; transportation, Thomas J. Nugent, First National Bank; hotels, Edwin N. Van Horne,

Insured Bank Study Finished

The A.B.A. Bank Management Commission has completed its fourth annual compilation of earnings and expenses of insured commercial banks in the United States.

This study takes the form of ratios computed for the purpose of enabling banks to compare ratios of their own operations with those of other banks. The percentages indicate the relation of each item of earnings and expenses to total deposits.

The data are arranged according to charter and size to facilitate comparisons.

"Building Business" Sales Top 11,000

Sizable orders for the A.B.A.'s "Building Business for Your Bank" continue to be received, pushing the total number of books distributed to upwards of 11,000 copies.

A California bank has just ordered 80 sets of this book and a Florida bank 45 sets. Several smaller orders are being received each month.

American National Bank; halls, meeting places and educational displays, Charles M. Nelson, Northern Trust Co.; registration, Harry A. Brinkman, Harris Trust & Savings Bank; arrangements, C. Edgar Johnson, First National Bank; entertainment, W. H. Miller, City National Bank & Trust Co.

Association Gives Broad Aid to Banks And Government in Defense Program

(Continued from page 92)

that the purchase of these bonds would enable trustees to serve beneficiaries well and at the same time help in the present defense program.

National Bank Division

President Andrew Price sent a letter to all national banks urging them to qualify for the sale of Defense Savings Bonds.

Savings Division

Heads of this division, which has for a number of years supervised school savings, have attended several conferences with the Treasury's defense bond staff to advise upon a program for the sale of bonds and stamps in the public schools.

Bank Management Commission

A third survey of defense lending is now being made by the Bank Management Commission. This survey, covering the quarter ending June 30, 1941, will report commitments made in that period and the total volume of commitments outstanding on June 30. The two earlier surveys covered the quarters ending December 31 and March 31.

In response to a request from Civilian Defense Director LaGuardia that banks do their bit in the collection of scrap aluminum, the A.B.A. has sent an outline of the details of the aluminum drive to state associations and A.I.B. groups for their information and guidance.

Agricultural Credit

The announced policy of the Agricultural Credit Depart-

ment is the encouragement of loans to agricultural producers of foods vital to the defense program. This policy is being put into action through cooperation with the U. S. Agricultural Department and state and county banking associations.

Earlier Activities

Although a number of departmental projects have previously been mentioned in **BANKING**, they are again summarized to complete the picture of the Association's activities:

Following closely the announcement of the Government's major defense effort, President Houston appointed a National Defense Loans Committee, with representation in every Federal Reserve District, the purpose of which is to coordinate the dissemination of information to banks relative to the making of defense loans.

The Bank Management Commission issued Bulletin No. 82 dealing with national defense loans under the Assignment of Claims Act of 1940, and Bulletin No. 83 describing Series E, F and G Defense Savings Bonds.

A Creed and Standards of Practice was promulgated by the Consumer Credit Department for the guidance of banks making consumer loans, which, in a measure, serves as a voluntary restrictive device that will aid in preventing inflation.

Fourteen radio and platform talks for the use of bankers in

Class of '41 Gives Rutgers \$1,100

Following the precedent set by previous classes, the class of 1941, The Graduate School of Banking, made a gift of money to Rutgers University. The sum was more than \$1,100.

supporting the purchase of Defense Savings Bonds and Stamps were prepared and are being distributed by the Public Relations Council.

Two series of Defense Savings Bond advertisements have been designed and distributed to banks by the Advertising Department.

These more tangible activities do not take into account, however, the countless conferences called by various government departments and participated in by President P. D. Houston, Executive Manager Harold Stonier, General Counsel Needham, and others.

Another Stephenson Pamphlet Ready

The fifth in a series of pamphlets reprinting lectures on the draftsmanship of wills and trust agreements, by Gilbert T. Stephenson, has been published by The Graduate School of Banking.

Mr. Stephenson is director of trust research at the School. The title of the pamphlet is "The Compensation Provisions of Wills and Trust Agreements."

The lectures were delivered at university law schools.

G.S.B. Class Names Betts and Arthur

Isaac F. Betts, vice-president of the Continental-American Bank and Trust Company, Shreveport, La., and Laurence K. Arthur, manager of the transit department, Federal Reserve Bank of St. Louis, were elected president and secretary respectively of the 1941 graduating class, The Graduate School of Banking. They will serve as permanent officers.

Dr. Agger Writes Banking Text

A text specially prepared for American Institute of Banking use is a base for parts of a recently published book by Eugene E. Agger, associate director of The Graduate School of Banking and professor of economics at Rutgers University.

Dr. Agger, head of the money and banking faculty of New York Chapter, A.I.B., calls his textbook *Money and Banking Today*. Its coverage of the subject places the emphasis on "functional analysis rather than on description of organization and of techniques."

There are chapters on banking in England, Germany and Russia, as well as discussions of current domestic problems in money and banking. The publisher is Reynal & Hitchcock.

Mortgage Clinic

(Continued from page 92)

Frank G. Sayre, vice-president, The Pennsylvania Company for Insurances on Lives and Granting Annuities, is chairman of the Philadelphia committee on arrangements.

CONVENTIONS

American Bankers Association

- Aug. 6-8 19th Regional Trust Conference of the Pacific Coast and Rocky Mountain States, Seattle, Washington
- Sept. 28- Oct. 2 Annual Convention, Hotel Stevens, Chicago
- Oct. 30-31 Real Estate Mortgage Clinic, Bellevue-Stratford Hotel, Philadelphia
- Nov. 6-7 12th Mid-Continent Trust Conference, St. Louis, Missouri

State Associations

- Sept. 5 Delaware, Rehoboth
- Sept. 8-10 Iowa, Fort Des Moines Hotel, Des Moines
- Oct. 9-10 Nebraska, Paxton Hotel, Omaha
- Oct. 19-21 Kentucky, Brown Hotel, Louisville

Other Organizations

- Aug. 12-14 Alabama Bankers Educational Conference, Tuscaloosa
- Aug. 15-16 West Virginia Bankers Educational Conference, Morgantown

- Aug. 18-22 Arkansas Bankers Seminar, University of Arkansas, Fayetteville
- Sept. 7-12 Virginia Bankers Conference, University of Virginia, Charlottesville
- Sept. 8-11 Annual Convention, Financial Advertisers Association, Hotel Statler, Cleveland
- Sept. 8-12 Tennessee Bankers Conference, University of Tennessee, Knoxville
- Sept. 11-13 Massachusetts Savings Banks Association, New Ocean House, Swampscott
- Sept. 22-24 Robert Morris Associates, Detroit
- Sept. 26-29 Association of Bank Women, Congress Hotel, Chicago
- Oct. 1-3 Mortgage Bankers Association of America, New York
- Oct. 8-11 Annual Convention, The National Association of Bank Auditors and Comptrollers, Chicago
- Nov. 3-5 Morris Plan Bankers Association, Cloister Hotel, Sea Island, Georgia
- Nov. 30- Dec. 5 Investment Bankers Association, Hollywood Beach Hotel, Hollywood, Florida
- Dec. 1-5 U. S. Savings and Loan League, Miami, Florida



at Cleveland
HOTEL STATLER
September 8-11.

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