

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JANUARY 1958

## What Market Research Means to Banks

1. Find Out What Services  
Are Wanted
2. Develop Them
3. Sell Them

*(page 65)*



## PEACE OF MIND

**For the mortgage man too. Inescapably—at age 35—one out of every six home owners will not live to pay off a 20-year mortgage. Besides its practical advantages to both institution and customer, Mortgage Redemption Insurance wipes out much of the worry and mental strain of a home mortgage operation.**

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tions from coast to coast with these vital Plans.

Each Plan is specifically designed to meet your exact needs and includes all Sales and Operational procedures, completely eliminating

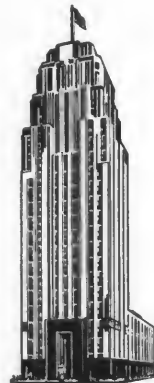
burdensome detail. You reduce home mortgage risks *at no cost* to your institution.

Federal Mortgage Redemption Insurance removes the natural fears of a family undertaking what is normally its largest financial obligation. It is persuasive proof of friendly interest in your customer's welfare; true Customer Relations at its best.

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HAROLD L. BUCK  
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Busy bankers don't often have time for "ivory tower" thinking—but every bank *does* build up its own philosophy, its individual *personality*.

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*We do everything we can to help you  
do a better job for your customers.  
We have everything to do it with.  
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Why don't you talk to the people at Chase Manhattan?

# THE CHASE MANHATTAN BANK

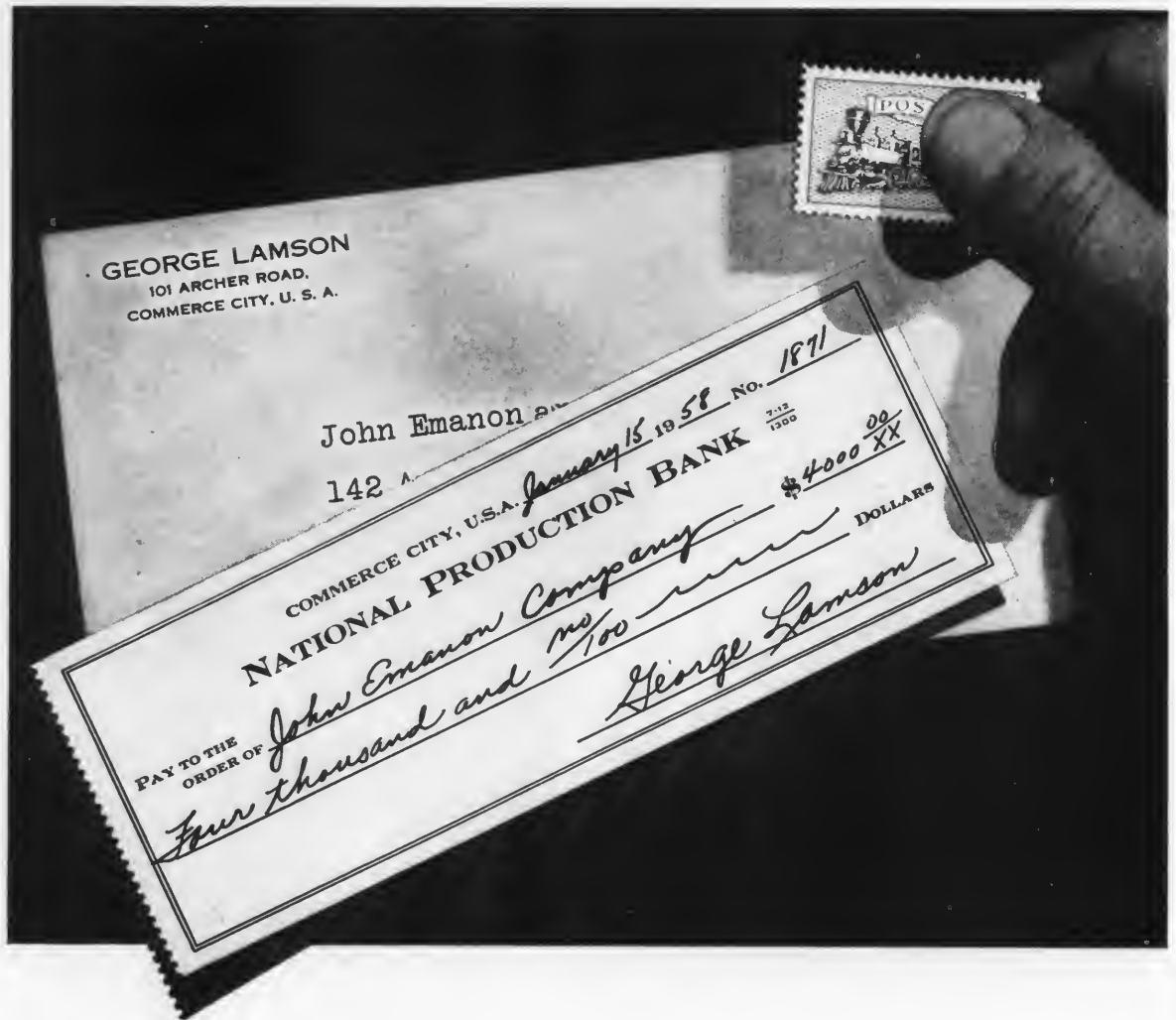
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**SAFETY PAPER  
FOR CHECKS**

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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## FIELD WAREHOUSE SERVICE

provided by leading

## LOCAL WAREHOUSE COMPANIES

through the

# NATIONAL



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In addition to the wide experience and high financial responsibility of these companies issuing Warehouse Receipts, you have the further protection of broad bond and insurance coverage.

For more complete information on the many advantages offered under the National W/R System contact the nearest Member Company or write

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• Milwaukee  
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# Just a Minute

1958

IT includes a most important event in BANKING's life; the July issue brings our 50th anniversary.

This, of course, is very young, compared with the years of many banks in this country. But for a business publication it's comparative venerability—and we're proud of it.

During the next few months, as in the past few, we'll be taking notice of the approaching anniversary, in one way or another. February, for instance, will have a story about a banker who's been writing bank ads (good ones) since about the time BANKING was born.

## BANKING at School

Two of our articles—"Banks Are People" (September 1957) and "Col-

lege Men in Banking" (June 1957)—are being distributed, as reprints, by Chronicle Guidance Publications, Inc., of Moravia, N. Y.

The company's services for high school pupils include circulation of articles of career significance. Our pair was sent to counselors in high schools.

## Making Loan Payments Look Like Deposits

A SIMPLE banking routine—or a change in one—can bring some mighty good publicity . . . if the right reporter writes it.

For example, a scribe for the Greenfield Recorder-Gazette of Greenfield, Mass., did a pleasant little story on the fact that at the First National Bank and Trust Company instalment loan borrowers now



"I want a bank calendar for every room in my house!"

make their payments at the savings window.

"There's no more sneaking up to the counter and looking around to see if your friends see you making a payment on some dough you borrowed," said the piece in the paper's

## What Market Research Means to Banks

1. Find Out What Services Are Wanted
2. Develop Them
3. Sell Them

## THIS MONTH'S COVER

BANKING'S all-type cover this month draws attention to the editorial at the beginning of the 16-page "Business Building Bulletin" (pp. 65-80). Since market research is a subject that is gaining increased attention from more and more banks, BANKING'S editorial content in the coming months will devote greater space to this important business building tool

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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**FOR THE BANKER  
WHO WANTS TO PERFORM  
A BETTER SERVICE WITH  
A MINIMUM OF EFFORT**

Here's a Complete Insurance  
Package assuring uniformity  
of coverage, designed especially  
for Mobilehome  
contracts

**THAT TAKES SO MUCH LESS  
OF YOUR TIME TO HANDLE**  
it's actually revolutionary!

it has **EVERYTHING!**

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we have over 1,000 claim representatives in the area we service . . . all 48 states, U. S. territories and possessions.

**AUTOMATIC COVERAGE .**

protection starts the very minute the loan is approved.

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we represent several major stock specialty companies . . . with complete underwriting authority.

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the insurance companies have confidence in our ability, based on over 30 years experience, so you will be dealing direct with the individual approving the claims.

Write today for complete and factual information

**MOBILE HOME AGENCY, INC.**  
UNDERWRITERS

Grand Rapids 2, Mich.  
INSURING MOBILEHOMES FROM COAST TO COAST IS OUR ONLY BUSINESS

"Country Store" column. "No sir, positively no embarrassment about it at all. Folks paying personal notes on the instalment plan make their payments at the savings deposit window.

"It does so much for one's morale to walk up to the counter where he might be depositing a couple hundred in a savings account. No shifty looks from people who sometimes glance your way as if to say: 'Aha, so you owe the bank some dough, you pauper!' Instead, you can look around rather smugly as if to say to the people you know: 'See, I'm putting my money away for a rainy day!'

"So you can be the one with the smug look when you make your monthly payment on a personal loan. But be sure to lean over rather close when you tell the teller it's a payment, not a deposit. That won't cause any suspicion because your friends probably figure you're salting away so much dough you simply don't want anyone to hear how much it is."

**"Wake Up and Read!"**

THAT's the advice offered by "the first nationwide campaign to promote reading"—a combined undertaking of newspaper, magazine and book publishers, librarians, and others to stimulate the perusal of the printed page.

\*\*\*\*\*

**FIVE O'CLOCK SHADOW**

**My boss is congenial and chatty,  
The friendliest fellow alive—  
He starts to relate his life story,  
At a couple of minutes of five!**

STEPHEN SCHLITZER

\*\*\*\*\*

The climax comes in March, when National Library Week will be celebrated beginning the 16th.

The program will stress the benefits of reading to be informed, reading as a leisure activity, and reading for career advancement.

Suggestion: start your personal campaign right now by reading this issue of BANKING. It provides all three benefits!

**The Sheikh's a  
Lightning Calculator**

HIS Excellency, Sheikh Salem Ahmed bin Mahfooz, chairman and general manager of the National Commercial Bank of Jeddah, Saudi Arabia, was a visitor in our town the other day. He and two associates called at the New York offices of the Belgian American Banking Corporation, and then went to the Federal Reserve bank where, in the basement vaults, they saw \$6,500,000 in gold.

The sheikh was particularly in-

(CONTINUED ON PAGE 11)



A Christmas doll-dressing contest for women employees of the National City Bank of Cleveland meant presents for youngsters under the care of several local institutions. Prizes were awarded for the best dressed dolls. The 120 entries were exhibited in the bank's Euclid Avenue window before being distributed to children in hospitals and homes





**New telephone system permits growing businesses to "let out" their telephone facilities without having to get a whole new "suit of clothes"**

*The Bell System brings out another improvement in modern telephone service . . . a simple and flexible dial telephone system that grows as the business grows.*

In these days when so much business is done by telephone, many companies find themselves faced with overloaded communications systems.

To meet this situation, the Bell System has developed a "packaged" type of dial telephone system that takes up little space and is quickly and easily installed.

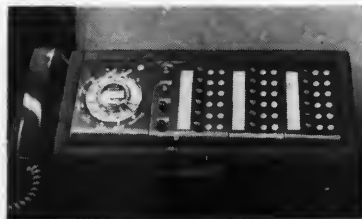
The new equipment, known as the 756A dial telephone system, is so com-

pact that it can be located in general office space. At today's rentals, this compactness represents a real saving. Equipment cabinets are soundproofed.

The dial switching unit is easily installed by the use of plugs, much the same as a washing machine is plugged into an electrical outlet. Businesses that have this new system and grow to more than 40 office telephones can expand in most cases to as many as 60 telephones by a simple change in existing equipment.

One of our biggest jobs is helping businesses to grow. This is another ex-

ample of our lively interest in matching telephone service to our customers' always expanding needs.



**Modular Pushbutton Key Console** provides simplified operation, saves time, speeds service, and occupies little space. All calls disconnect automatically.

Working together to bring people together . . . **BELL TELEPHONE SYSTEM**





**IT'S**

**TUNIC**

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THE MOST COMPLETE ELECTRONIC BANK BOOKKEEPING MACHINE!

*It's new and it's news! From Burroughs electronics: banking's most complete electronic bookkeeping machine. The most complete functionally, too . . . and the most fully automatic, most versatile and most compact. Get the detailed story on the unmatched speed, efficiency and cost savings that this advanced new electronic taskmaster can bring to your operations. Call our nearest branch office. Burroughs Division, Burroughs Corporation, Detroit 32, Michigan.*



Burroughs and Sensitronic are TM's.



IT'S THE NEW **BURROUGHS SENSITRONIC**



**ARE YOU GETTING YOUR SHARE OF**  
*Profitable Boating Paper?*

From the banker's point of view, boat and engine paper is highly desirable paper. Yachtsmen have a far better record for time payments than buyers of automobiles, appliances and other commonly financed merchandise . . . and the potential is tremendous. The Boating Market in 1956 accounted for over a billion and a quarter in dollar sales.

Marine Dealers send their customers directly to the bank for time-payments or make arrangements for financing when the sale is made. One of the best ways to get this profitable time-payment business for your bank is to offer to

help them finance their inventory as well as their installment business. Offer them a package deal that includes both.

**ARE YOU LISTED?**

As a service to Marine Dealers, we are publishing a list of banks interested in financing boat and engine sales. If you wish to have the name of your bank included, please advise us.



**Send for the Booklet**  
**"PLEASURE BOATING**  
**OFFERS**  
**FINANCING OPPORTUNITIES"**

*It's free. You'll find it informative.*



**NATIONAL ASSOCIATION OF ENGINE & BOAT MANUFACTURERS, INC.**  
 420 LEXINGTON AVE., NEW YORK 17, N. Y.



Sheikh Salem Ahmed bin Mahfooz and Louis van Damme, president, Belgian American Banking Corp.

(CONTINUED FROM PAGE 6)

terested in the Belgian American's foreign exchange trading table. The *Times* reported that "officials were startled when he demonstrated his ability to make lightning mental conversions of one foreign currency into another."

The party, on a world tour of correspondent banks, included Sheikh Muhammed Ahmed Bagabas, deputy general manager of the Jeddah bank, and Said M. Bagsair, secretary of the board of directors. From New York they flew to the Far East.

#### Artist Chaney

FROM Minneapolis comes word that Clarence R. Chaney, retired vice-chairman of the board of the Northwestern National Bank, had a November show of his water colors at a Minneapolis gallery. The subject was "Minnesota's North Shore and Massachusetts' North Shore."

Mr. Chaney, an artist of some note, paints each year a Christmas scene for Northwestern National's Christmas folder. His pictures have had several public showings, including the exhibition of the American Water Color Society in New York City.

He is a former national president of the A.I.B.

#### Easier Banking

AN editorial in the High Point, N. C., *Enterprise*, titled "Banking Made Easier," noted with how much greater facility people can do their banking today.

"Sometimes," it said, "it is so easy as to make the customer feel a bit

# Selecting a plant site? Think of a home site too!



Or you can put it this way: keep employees happy and they'll do a better job.

That's one thing about our West. It's a wonderful place in which to enjoy life. There's plenty of space to give one a sense of freedom, and there are varied recreational opportunities. People are friendly. They make you feel at home.

In the western states served by our railroad, you're quite certain to find a plant site that meets your requirements from an industrial or commercial viewpoint. That includes, naturally, the modern, efficient freight and passenger service provided by Union Pacific.

For information about available sites, see your nearest "U.P." representative or get in touch with us direct.

INDUSTRIAL DEVELOPMENT DEPARTMENT  
**UNION PACIFIC RAILROAD**  
OMAHA 2, NEBRASKA

Map shows the vast western area served by Union Pacific.

**Fastest, Easiest  
Way to Figure  
Payroll Earnings!**



**NEW  
DELBRIDGE  
PAYROLL CHARTS**

Tests prove the DELBRIDGE way takes less than 1/2 minute to figure an employee's weekly earnings! 24% faster than any machine... 68% faster than hand figuring... far less tiring.

Charts cover hourly pay rates from 50¢ to \$3.50 in 1/2¢ steps—then to \$4.00 in 2 1/2¢ intervals. Straight time periods from 1/4 hr. to 100 hrs. in 1/4 hr. steps—1/4 hr. to 20 hrs. overtime in 1/4 hr. intervals. 1/12 and 1/10 hr. calculations also shown. Each chart gives whole cent rate on front, 1/2¢ rate on reverse side.

Charts fit your specific payroll requirements—order just the rates you need. So simple, so easy, anyone can use them. Pre-calculated answers eliminate computation errors—can save hundreds of dollars per year by reducing clerical help. Guaranteed accurate by Lloyd's of London.

First 10 charts, 50¢ each. Additional charts ordered at same time, 25¢ each. Mail coupon for FREE sample chart. Try it... then you be the judge. Absolutely no obligation!

**FREE TRIAL COUPON!**

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Send the following sample DELBRIDGE Payroll Chart—without obligation! We will use it in our payroll department and decide later whether to order additional charts.

(Specify rate desired) \$.....per hour

Name.....Title.....

Company.....

Address.....

City.....Zone.....State.....

foolish, especially when so much machinery of good feeling moves readily to accommodate a transaction so modest as to hardly merit all that geniality.

"But the democratization and demystification of banking has been an interesting development of times that have seen banks become generous with about everything they deal in unless it be money, which is in tight supply amid even all those genial trappings. But bank officials are willing to help with everything from loans to left-handed check-books, and find time for an amazing amount of civic and other nonpaid work, too."

**\$40 Story**

THE Billy Graham New York Crusade, Inc., is richer by two \$20 bills that spent some time in a bank's "sundry items payable" account.

The notes were mailed separately from Cleveland to "P.O. Box 33, New York, N. Y." They turned up in the mail of The Hanover Bank whose postal address is P.O. Box 33, Church Street Station. Nothing in the envelopes indicated what the money was for; neither had a return address. The bank got this answer to the puzzle:

In telecasts of the Billy Graham Crusade, viewers were told that contributions could be mailed to P.O. Box 33, Times Square Station. The post office, appropriately enough, sent this inaccurately addressed pair to the Church Street Station.

When the misadventure was unraveled, Hanover sent a check for \$40 to the Graham organization.

**Banking on Four Corners**

FROM three more cities—two under foreign flags—come letters reporting the presence of banks on the four corners of a street intersection. The correspondence started in October when we relayed a New York news story that Fifth Avenue and 44th Street were thus supplied, and that no other city was similarly graced.

Well, Philadelphia was heard from first, as previously reported. Then came a communication from Dirk Stein, who works for the Deutsche Bank AG in Duesseldorf, Germany.

"Right in the center of its (Duesseldorf's) financial district," he wrote, "where the Breite Strasse and Benrather Strasse cross each other, four banks have established their headquarters, viz., the Deutsche Bank AG, the Dresdner Bank AG,

(CONTINUED ON PAGE 14)



More than 350 local businessmen attended the second annual business conference sponsored by the First National Bank of Saint Paul. Several prominent executives gave their views on the 1958 outlook. Pictured, l. to r., Allen S. King, president, Northern States Power Co.; John M. Musser, chairman, Weyerhaeuser Sales Co.; Philip H. Nason, president of the bank; Joseph C. Duke, executive vice-president, Minnesota Mining and Manufacturing Co.; Marlin E. Sandlin, president, Minnesota Pipe Line Co.; and Robert S. MacFarlane, president, Northern Pacific Railway Co.



When standard reports aren't enough . . .

## it's time to call Division F

**T**HEY TURN UP—those lending situations where local and standard information just isn't sufficient to make a sound lending decision.

That's the time to call Division F at The First National Bank of Chicago. At our bank each of the 10 Divisions of the Commercial Department serves one group of industries exclusively. And upon the request of a correspondent, Division F men get in touch with appropriate officers of the other Divisions in order to supply additional tech-

nical and statistical information which may be required.

It's rewarding to be in a correspondent relationship with a significant bank—one as important, nationally and internationally, as The First National of Chicago.

We invite those correspondents who now use the services of the First to investigate *all* the aids we place at their disposal. And if you do not have a correspondent relationship with us, consider this a cordial invitation to call a banker from the First who will be pleased to talk to you.



**The First National Bank of Chicago**

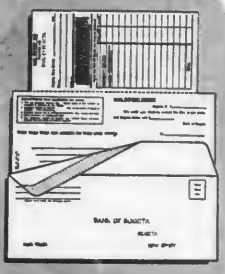
Dearborn, Monroe & Clark Streets • Building with Chicago since 1863

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



**"getting the most  
out of your  
BANK-BY-MAIL  
system"**

You can hold old customers and get new customers by using the most efficient BANK-BY-MAIL system.



- Relieves lobby congestion because your bank is as close as the nearest mail box.
- Increases operating efficiency because mail deposits reduce teller's daily work load.

**Curtis 1000 Inc.**  
150 VANDERBILT AVE. • WEST HARTFORD, CONN.

Please send samples of the Curtis BANK-BY-MAIL System.  
Name \_\_\_\_\_  
Bank \_\_\_\_\_  
Address \_\_\_\_\_  
Clip this coupon to your letterhead.

(CONTINUED FROM PAGE 12)

the Commerzbank-Bankverein AG, and the Bank für Gemeinwirtschaft Nordrhein-Westfalen AG."

Next to check in was Daniel L. Tinkham, P. R. man at Old Kent Bank and Michigan Trust Company, Grand Rapids. He wrote:

"Please add Grand Rapids to your list of cities with banks on all four corners of the same intersection. The main office of Old Kent Bank and Michigan Trust Company, Peoples National Bank, and Central Bank plus the Michigan National Bank's Grand Rapids office are located on the four corners of Monroe and Ionia."

From The Bank of Nova Scotia, Toronto, we learned, courtesy of Robert E. Oliver, that the four corners of Toronto's King and Bay Streets—"the financial heart of Canada"—harbor the head office of the Imperial Bank, head office of the Toronto-Dominion Bank, main local office of the Bank of Montreal, and the general office of The Bank of Nova Scotia. The last named, Mr. Oliver appended loyally, "this year celebrated its 125th anniversary."

"Incidentally," he said, "I am very new to the banking world, having spent the last eight years with the Ford Motor Company of Canada, and find your publication of inestimable help."

\*\*\*\*\*

**By the Way . . .**

*The question of how fast fish grow depends on who catches them.*

Oil's not quiet in the Middle East.

*What obstructs the vision and is called smog in our big cities is called "defining the issues" in politics.*

Money talks, but with inflation its voice gets steadily weaker.

*When the meek inherit the earth, they will also inherit a good many debts from those who were not so meek.*

The fellow who is poor never has to look for the car keys in his other pants.

\*\*\*\*\*

While letting others pat us on the back, we'd like to record that Herr Stein said the 152 pages of the October issue "supplied ample food for thought, if I may say so."

Indeed you may, sir!

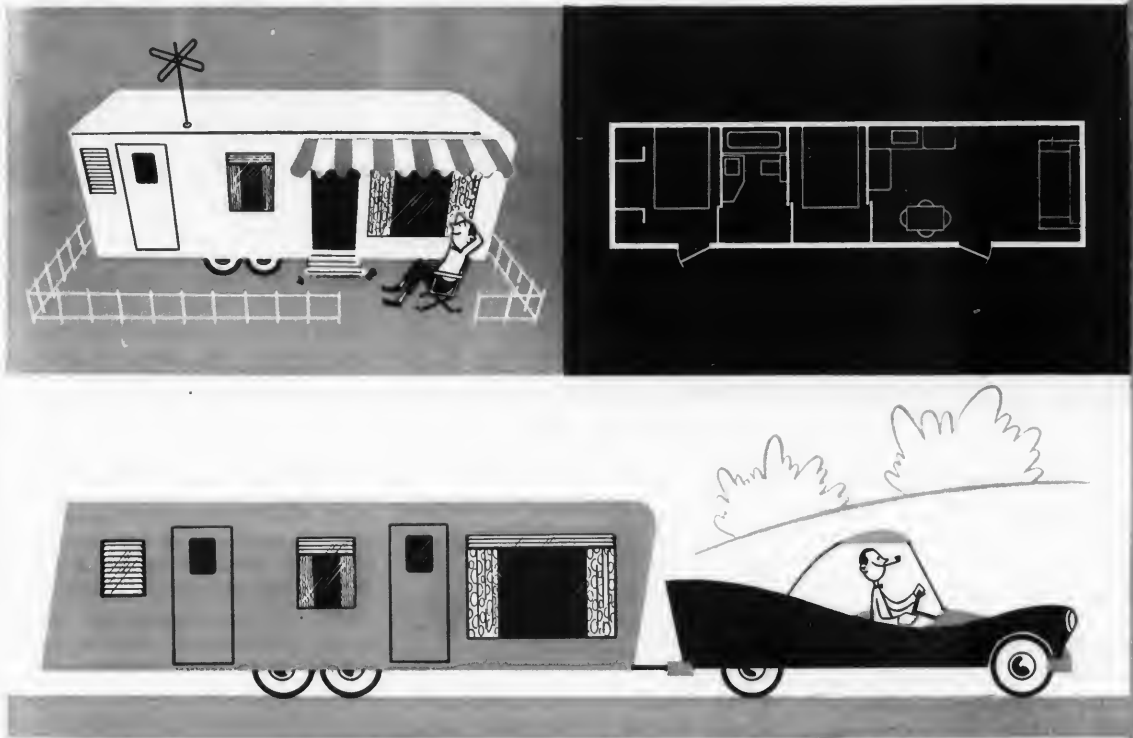
J. L. C.

Christmas celebrations and legends from six countries comprised the Holiday display at Mellon Bank, Pittsburgh. Consuls from seven nations previewed the exhibit. In the photo the Norwegian display is inspected by Rene Nigg, Swiss consular agent; Kosto Unkovich, Yugoslavian consul; and Mrs. Nigg





Any way you look at it...  
it's a mobile home



Any way you look at mobile home insurance  
**Old Republic** has the answer

Seventy-seven percent of the three million Americans who live in mobile homes finance them on a basis which is sound and profitable to many hundreds of financial institutions. You can attract more mobile home financing with a more comprehensive, specialized insurance program.

*The Old Republic Companies are a one-stop insurance market for all types of mobile home coverages:*

- Credit life—Credit accident and sickness
- Fire—Theft—Combined additional coverage
- Personal effects—Collision
- Vendor's single interest, which protects the lender against secretion, embezzlement and conversion.

*Mobile home financing can be the best fortified risk of all the instalment loan classifications.*

ASK US HOW TO GET THE MOST IN MOBILE HOME PROTECTION

**Old Republic**  
*Life Insurance Company*  
Chicago 1, Illinois



**Old Republic**  
*Insurance Company*  
Greensburg, Pennsylvania

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

The ROYAL BANK OF CANADA, Montreal, is to open a new branch office some 1,200 miles north at Frobisher Bay. The community is midway between San Francisco and Europe on many of the international air routes and is extensively used as a refueling stop and for changing crews.

Just a few days before Christmas, MANUFACTURERS TRUST COMPANY, New York, completed its series of 15 Friday afternoon advanced credit seminars for a group of 25 men. The course was conducted by Professor Charles M. Williams of the Harvard Graduate School of Business Administration, who was a credit trainee himself at the bank before World War II.

### Bozarth President

HOWARD J. BOZARTH has been elected president of the City National Bank and Trust Company, Oklahoma City, Okla. He has been with the bank since 1930. MR. BOZARTH succeeds the late DANIEL W. HOGAN, Jr.

FRANK A. WANNER has been elected executive vice-president and a director of The Edison Bank, Edison, N. J. He was formerly head senior examiner in District No. 2 for the Federal Deposit Insurance Corporation, having served with FDIC for 25 years until his recent retirement.

Members of Harris Junior Achievement Bank visit Stanley G. Harris, chairman of the executive committee of Harris Trust and Savings Bank, Chicago, the sponsor. The JA bank acts as banker to 37 JA companies. The young folks were guests of Mr. Harris at a luncheon during their tour of the bank



# Heard Along



James Lothead



Harris C. Kirk



K. Macfarlane



William Jackson

HARRIS C. KIRK, president of American Trust Company, San Francisco, becomes the bank's chief executive officer as JAMES K. LOCHHEAD retires as board chairman at the year's end. MR. LOCHHEAD had been the bank's chief executive officer since becoming president in 1938. Upon his retirement, the position of board chairman is abolished. MR. LOCHHEAD continues as a director and member of both the executive and trust committees.

Merger in process: MADISON COUNTY TRUST Co. of Oneida, N. Y., into the LINCOLN NATIONAL BANK AND TRUST COMPANY of Syracuse, N. Y.

The SECOND NATIONAL BANK of Nazareth, Pa., held public opening of its new banking quarters shortly before Christmas.

KILGORE MACFARLANE, JR., was elected president of the Buffalo Savings Bank, succeeding BRYANT GLENNY, who becomes chairman of the board. MR. MACFARLANE has been president of the Schenectady (N.Y.) Savings Bank.

WILLIAM C. (Decker) JACKSON, JR., president, First Southwest Company, Dallas investment house, was elected president of the Investment Bankers Association of America. He succeeds ROBERT H. CRAFT, president, Chase International Investment Corporation, wholly owned foreign financing subsidiary of The Chase Manhattan Bank, New York.

### Baker Retires

J. STEWART BAKER, chairman of the executive committee of the Chase Manhattan Bank, New York, has announced his retirement as of the year end. The announcement came as a message to the staff in the first issue of *Chase Manhattan News*, the bank's new staff newspaper. MR. BAKER was board chairman of Bank of the Manhattan Company at the time of its merger with the Chase National Bank in 1955. He has been a member of Chase Manhattan's senior management group since that time.

ROYAL M. ALDERMAN has resigned, effective January 1, as a vice-president of the Valley National Bank, Phoenix, in order to open his own office as a general business consultant. This doesn't mean severing his business connections because MR. ALDERMAN'S first client will be the Valley National Bank. The bank has contracted for a continuation of his

# Main Street



J. R. Johnson



Harry M. Bardt

services as a consultant in the fields of business development and public relations.

## Bardt Advances

**H**ARRY M. BARDT has been elected executive vice-president of Bank of America, with offices at the Los Angeles headquarters. Since 1947 he had headed the bank's statewide trust activities as vice-president and senior trust officer, with offices in San Francisco. He has been active in numerous capacities in the A.B.A. Trust Division, and currently serves the Association as a member of the board of trustees of the Foundation for Education in Economics. He is succeeded as senior trust officer by J. R. JOHNSON. MR. JOHNSON had been vice-president and trust officer in charge of the trust department for the bank's Southern California division.

DONALD L. HELFFERICH, of the Upper Darby (Pa.) National Bank, has won a European tour for two as first prize in a nationwide contest for bankers sponsored by the American Express Company. Two second prizes, 18-day Hawaiian cruises, were won by RICHARD E. DEVESTY, Onondaga County Savings Bank, Syracuse, N. Y., and JOHN L. GIBSON, II, of National Bank of Commerce, Norfolk, Va.

The Nassau County Clearing House Association, Freeport, N. Y., has elected these officers: Chairman, WALTER E. VAN DER WAAG, who is president of the Meadow Brook National Bank, succeeding PAUL E. PROSSWIMMER, executive vice-president of the Franklin National Bank

of Long Island. FREDERICK HAINFELD, JR., president of the Long Island Trust Company, was elected vice-chairman.

Security-First National Bank, Los Angeles, has announced these promotions: LEE BROWN was elected a senior vice-president to head a new management division in the San Joaquin Valley area; THOMAS G. ROODHOUSE was elected controller; THEODORE H. BALLMER, auditor; O. RAYMOND GARVIN, vice-president in charge of insurance, retirement funds, and other employee benefits; JOSEPH MAUTNER (he's president of Los Angeles Chapter, A.I.B.), vice-president; ROBERT S. MCCARTHY, vice-president in charge of the tax division.

J. LEE JOHNSON, JR., president of The First National Bank of Fort Worth, Texas, has been honored by the Texas Welfare Association as "a banker who has manifested the spirit of cooperation for the strengthening of the institutions of commerce, education, and welfare in the City of Fort Worth."

HARTFORD (Conn.) NATIONAL BANK AND TRUST COMPANY has combined its public relations and advertising functions into one depart-

This "Bankmobile" with space for four tellers, a cashier, and a driver-guard was built for Banco Credito y Ahorro Ponceno of Puerto Rico by The Gerstenslager Company, Wooster, Ohio, which has orders for a number of similar vehicles, several for Central and South American Companies



World's largest super-accurate clock atop Continental National Bank's building, Fort Worth, revolves one turn per minute and is kept accurate to 1/20th of a second by short wave

ment and has named JOHN O. BROTHERHOOD, JR., as manager.

R. CROSBY KEMPER, JR., executive vice-president of City National Bank & Trust Co., Kansas City, Mo., has been elected treasurer of the Kansas City Chamber of Commerce. He has been elected treasurer also of the Starlight Theatre Association, the civic organization that sponsors Kansas City's summer outdoor theatre.

## Form New Firm

**A**NEW organization keyed to bank financing policies has been started by 22 leading public warehouse companies associated as National Warehouse Receipt System. The organization is "designed to provide a



For over 75 years, Japan's largest financial institution has fostered international trade and commerce. If you need a helping hand in Japan, contact...



## The FUJI BANK Ltd.

Head Office: Chiyoda-Ku, Tokyo  
Overseas Offices in London, Calcutta  
187 Branches Throughout Japan  
New York Agency: 42 Broadway, NYC



## Automatic... 19 KEY COIN CHANGER

HUNDREDS  
in use  
today

"We like its compactness and efficiency," says Mr. W. A. Canary of Footville State Bank, Footville, Wis. "I can certainly recommend it to any one who is considering the purchase of a Money Changer, as I know it will satisfy them as it has us."

You'll like the way the Coinmaster delivers exact change instantly by pressing only one or two keys. Speeds up customer service, reduces chance of error.

Sturdy aluminum, grey hammertone finish. Roll out or Bank cup delivery. Parts and workmanship guaranteed. \$245. plus tax.

Manufacturers of famous MP-Jr. Other coin-changers from \$54. Ask your dealer—

Metal Products Engineering, Inc.  
Dept. B-1, 4000 Long Beach Avenue  
Los Angeles 58, California



uniform operation of field warehousing and to insure banks and other loaning institutions of a sound basis for advancing money on stored merchandise."

Members of National Warehouse Receipt System show assets exceeding \$17-million. Five regional offices are being established in New York, Chicago, San Francisco, Dallas, and Atlanta.

Officers of the new organization are: JULIAN KERR, president; HARRY C. WILDER, vice-president; ORME LEWIS, secretary; JOSEPH E. REFSNES; GLENN C. TAYLOR, chairman of the board. Headquarters is in Phoenix, Ariz.

WILLIAM J. LAUFER, manager of the safe deposit vault at the head office of the Rochester (N.Y.) Savings Bank, has retired after 41 years with the bank.

FELIX S. WASSMANN, vice-president of The Bank for Savings, New York, was honored on completion of 25 years with the bank. He's the 54th member of the bank's Quarter Century Club.

FRANK A. PLUMMER, senior vice-president and director of the First National Bank of Montgomery, Ala., has been named president of the Birmingham (Ala.) Trust National Bank. JOHN S. COLEMAN, formerly president at Birmingham Trust, was elected chairman of the board and will continue as the bank's chief executive. MR. PLUMMER is a grad-

Frank C. Rathje, right, retiring board chairman of Mutual National Bank of Chicago, trades homburg for Texan Jacques Mossler's 10-gallon hat. Mr. Mossler is new chairman. Mr. Rathje is a former president of the American Bankers Association



Henry Rutledge



John Moorhead

uate of The Graduate School of Banking.

JOHN A. MOORHEAD was elected president of Northwestern National Bank, Minneapolis, to succeed the late JOSEPH F. RINGLAND. HENRY T. RUTLEDGE was appointed executive vice-president and elected to the board of directors. MR. MOORHEAD is the 11th president in the bank's 85-year history.

R. G. MILLER, regional superintendent in British Columbia of The Canadian Bank of Commerce, has been appointed an assistant general manager and will remain in charge of that region at his headquarters in Vancouver.

ARTHUR M. JACOBS has joined DOWCHEX Incorporated, Brockton, Mass., as vice-president for merchandising. He was formerly manager of the Newtonville office of the Newton (Mass.) National Bank.

RUSSELL W. BILLMAN, ARTHUR GARDENER, and JOHN HANNON are now vice-presidents at Bankers Trust Company, New York.

CURTIS C. BREIKJERN has advanced to cashier at the Casper (Wyo.) National Bank, succeeding JOHN MCLEOD, who resigned to take a similar position with the American National Bank in Denver.

HAROLD S. MINER, a vice-president of Manufacturers Trust Company, New York, has been named president of CARE (Cooperative for American Remittances to Everywhere, Inc.). He had been treasurer of CARE since its inception.

The FRANKLIN NATIONAL BANK OF LONG ISLAND, Franklin Square, N. Y., has opened Long Island's largest office building at Roosevelt Field, N. Y. It's the new home of the bank's Roosevelt Field office.

(CONTINUED ON PAGE 20)

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

# *San Antonio's Bank of Tomorrow*

you're invited  
to attend the formal opening  
of our new banking house  
January 19, 1958



COBZ

**NATIONAL BANK OF COMMERCE**

OF SAN ANTONIO

*Oldest in Years,  
Modern in Service*



EST.  1873

**THE  
DAI-ICHI BANK,  
LTD.**

HEAD OFFICE: TOKYO JAPAN  
OVERSEAS REPRESENTATIVES: NEW YORK, CHICAGO

for a  
good first impression...  
an enduring good impression



**THE  
CHASE  
MANHATTAN  
BANK**

**Bank Signs in Bronze or Aluminum  
by U. S. BRONZE**

Impressive dignity and good taste are working ambassadors for you when your bank's name appears in these beautifully designed and executed signs. Names of your personnel on tasteful metal signs also assure an impression of dignity and stability.



Desk Nameplates  
Both Economical  
and Beautiful

**INDIVIDUAL LETTERS—Metal or  
plastic—in all sizes**



Perfect for permanent signs, inside or out. As suppliers to banks large and small from coast to coast, we offer the widest selection with the most in service, at economical prices. Send today for catalog of all signs, plates, display cases, etc.

*"Bronze Tablet Headquarters"*

**UNITED STATES BRONZE SIGN CO., Inc.**

101 West 31st Street, Dept. B, New York 1, N. Y.

**MAIN STREET (Continued)**

RALPH S. COLE, assistant treasurer and assistant secretary of the Newton (N.J.) Trust Company, has completed 25 years with the bank. He is active in the N. J. State Safe Deposit Association and is serving out a 3-year term on its executive committee as well as acting as chairman of its membership committee.

WILLIAM W. WHITE is now executive vice-president of Rhode Island Hospital Trust Company, Providence. HAROLD W. THOMAS advanced to vice-president and comptroller. WILLIAM A. BOWEN advanced to vice-president.

ALBERT W. HARRIS, former board chairman and president of Harris Trust and Savings Bank, Chicago, has been named one of 102 Chicagoans cited for distinguished achievements and for contributions to their city. The outstanding Chicagoans were named as part of the Jesuit centennial celebration in the city. Mr. HARRIS, who celebrated his 90th birthday in November, is still active in his office daily.

MARY E. BROSNAN was appointed a trust officer of The Waterbury (Conn.) National Bank.

C. D. WILLIAMSON has been named chairman of the board of the First National Bank of Laramie, Wyo. President R. W. FINKBNER will continue as executive operating head.

FIRST NATIONAL BANK AND TRUST

Co., Tulsa, Okla., offered free flu shots to its 470 employees. In less than a week, more than half of the employees had received the shots.

WILLIAM B. BROSIUS, president of the National Bank of Chester County and Trust Company, West Chester, Pa., was elected a class A director of the Federal Reserve Bank of Philadelphia.

FIRST NATIONAL BANK in Port Lavaca, Texas, has opened for business in its new home, which has a drive-in window and "ample" parking space.

The FIRST NATIONAL BANK & TRUST COMPANY of Scranton, Pa., is building a 3-story addition to its Wyoming Avenue building.

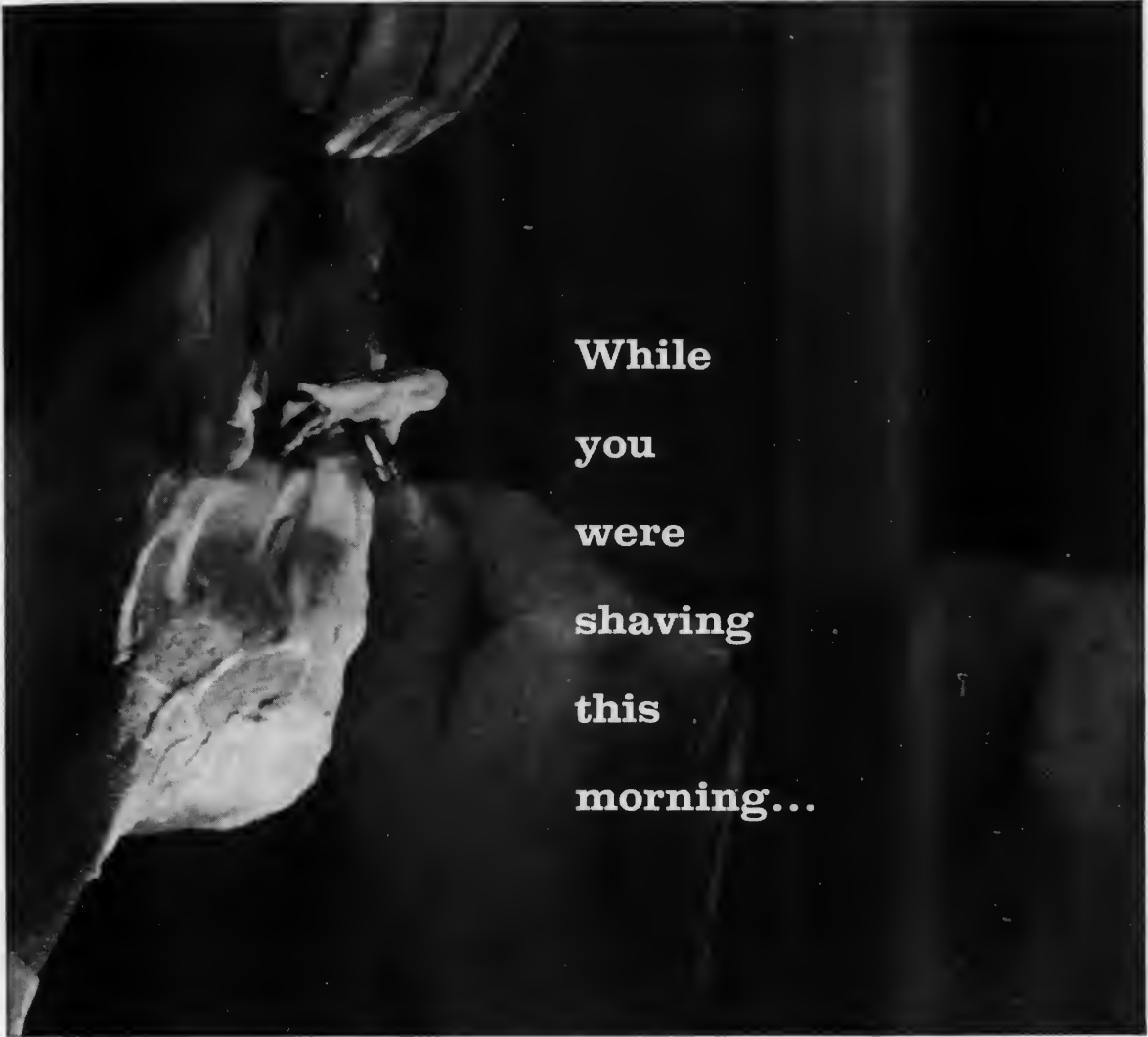
DR. WILSON B. EMERY, vice-president of the petroleum division of the American National Bank, Denver, Colo., has been named to the board of directors.

HILDA M. HOFFMAN, HOWARD E. BARKER, STEPHENSON OUTHWAITE, and ALBERT S. DOOLITTLE were named assistant vice-presidents of The Bowery Savings Bank, New York. Miss Hoffman has been for some years a member of the A.B.A. Committee on Savings Management and Operations.

UNION TRUST COMPANY of Springfield, Mass., and the SPRINGFIELD (Mass.) TRUST COMPANY have merger plans which are expected to cul-  
(CONTINUED ON PAGE 22)

Showing a well-turned fender is this 1910 Hupmobile Torpedo roadster owned by Anne Giannini of the banking family. At the crank is Frank F. Risso, chauffeur as a young man to Anne's grandfather, A. P. Giannini. Mr. Risso is now a vice-president of Bank of America. The auto, first ever owned by Anne's father, the late L. M. Giannini, won a blue ribbon in a 1957 show





While  
you  
were  
shaving  
this  
morning...

**...Continental Illinois' night staff processed  
2395 cash items**

Chances are it took you five minutes, more or less, to cut down this morning's crop of whiskers.

And while you were shaving, our night staff processed—in *five* minutes—almost 2400 cash items!

In fact, many of the checks air-mailed to us yesterday afternoon by our

correspondents—banks as far away as New York, Texas, California—have already been turned into available funds *this morning*.

Wouldn't speed like this be helpful to your bank and your customers?

We'd be happy to have one of our people come see you and talk it over in person.

**CONTINENTAL ILLINOIS NATIONAL BANK  
and Trust Company of Chicago**

Lock Box H, Chicago 90

Member Federal Deposit Insurance Corporation

## MAIN STREET (Continued)

minate in late January in the formation of an institution to be known as VALLEY BANK AND TRUST Co.

GROVER J. HANSEN has been elected executive secretary and educational director of Chicago Chapter, American Institute of Banking. He succeeds JOSEPH J. SCHROEDER, who retired recently after more than 37 years as executive secretary. MR. HANSEN had been secretary of the chapter, which recently announced that its membership had exceeded 7,000, the highest mark yet to be attained by any Chapter of the A.I.B.

The NORTH SHORE BANK, Miami Beach, has received an award from the Miami Beach Taxpayers' Association for its outstanding job in landscaping the bank premises.

ROY A. BRITT, president of Citizens National Trust & Savings Bank, was elected president of the Los Angeles Clearing House Association, succeeding FRANK L. KING, president of California Bank. JAMES E. SHELTON, chairman of Security-First National Bank was elected vice-president, and WILLIAM S. LONG was reelected secretary-manager.

FIRST NATIONAL BANK AND TRUST Co., Bay Shore, N. Y., has opened a sidewalk teller window. The community management cooperated with the bank to the extent of placing parking zone meters at the curb which allow two minutes for trans-



R. C. Rastetter



Robert A. Sharpe



Herbert Fadeley



Alfred Hasenzahl

actions, making the window a convenience for motorists, also.

RICHARD C. RASTETTER and ROBERT A. SHARPE advanced to vice-presidents at Continental Illinois National Bank and Trust Company of Chicago.

BANK OF MONTREAL has begun demolition at the site of its new \$10,000,000 building which is planned for completion in mid-1960. The building will rise to a height of 280 feet above the heart of Montreal's financial district and is labeled Canada's "most modern" bank building.

### Old Bank; New Branch

THE 107-year-old SOUTH BROOKLYN (N. Y.) SAVINGS BANK has awarded a contract to build its second branch office which is to be ready in March 1958. There'll be a walk-up window. The bank's first branch office was built in 1930.

UNION COMMERCE BANK, Cleveland, has opened a new branch which house four drive-in windows in "island bank" arrangement.

George Champion, president of Chase Manhattan Bank, shows 32 newsboys the bank's new employee newspaper, *Chase Manhattan News*. The 32 young carriers won a contest in Bloomington, Ill., an all-expense trip to New York. They called to visit Mr. Champion, a fellow native-son of Bloomington



HERBERT J. FADELEY, JR., has joined The Boardwalk National Bank of Atlantic City, N. J., as a vice-president. He was formerly with Provident Trademans Bank and Trust Company, Philadelphia. ALFRED E. HASENZAHN has joined the bank as assistant vice-president. He was formerly with the Irvington (N. J.) Trust Company. Both men are graduates of The Graduate School of Banking.

Stockholders of the First National Bank in Greenwich and The National Bank of Norwalk, have approved the proposed mergers of their banks with THE STAMFORD (Conn.) TRUST COMPANY. It was hoped to have the mergers completed before the end of the year. The Stamford Trust Company will change its name to THE FAIRFIELD COUNTY TRUST COMPANY, as of December 31.

M. L. BOGISCH, executive vice-president, has been named president of the First National Bank of Yorktown, Tex., succeeding the late E. P. ZINCKE.

The design of the new RICHMOND HILL SAVINGS BANK branch building in Floral Park, Long Island, has won for its architect, Adolf Lancken Muller, an award from the Queens Chamber of Commerce for the most outstanding bank erected in the borough during the past year.

A. G. MCNEESE, JR., president of Bank of the Southwest, Houston, has been elected to the University of Texas Development Board. He serves also on the Committee of 75, which is planning the future development of the university.

AMERICAN TRUST COMPANY, New York City, has been given an honorary membership in the Cadena International, which is headed by Banco Internacional, Mexico City, and comprises about 50 Mexican  
(CONTINUED ON PAGE 24)





## *Credit that Builds* *a Better FARMER-BUSINESSMAN*

Loans that enable farmers to equip themselves with the finest in timesaving, labor-saving, cost-cutting equipment are safe, sound and highly desirable business for banks serving rural communities.

On today's larger, more intensively worked farms, the tools of yesterday are no longer good enough to assure the most successful farm operation. They have to be better—and they are!

### *New Machines... Lower Costs*

Keeping pace with the advancement of agricultural science, Allis-Chalmers has, within the past five years, introduced a completely new line of machine tools for agriculture—tractors, implements, hay tools, harvesting machines—equipment that excels in quality and performance, that enables farmers to prepare their land, plant, cultivate, harvest and store their crops . . . with greater ease, speed and efficiency than ever before.

An example is the dynamic new Model D-17 Tractor, pictured above. It offers farmers a combination of features unknown as recently as two years ago. To utilize this new and more efficient power are more than 100 matched implements of equally advanced design.

Yes, when a farmer customer calls to talk about financing an investment in new Allis-Chalmers equipment, you can be sure he is on the right track.

ALLIS-CHALMERS FARM EQUIPMENT DIVISION. MILWAUKEE 1, WISCONSIN

# ALLIS-CHALMERS



*Engineering in Action*  
*Brings Greater Earning Power*

Take Another Look

at  
Arizona Banking

Now with  
**50 Offices**

(#50 Opened Dec. 15th)

Serving  
**39 Arizona  
Communities**

Home Office  
Phoenix, Arizona



**FIRST  
NATIONAL  
BANK OF ARIZONA**

Arizona's Oldest National Bank  
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

For your  
banking  
needs in  
Japan

ESTABLISHED: 1897

**THE  
NIPPON KANGYO BANK  
LTD.**

HEAD OFFICE: HIBIYA TOKYO  
120 BRANCHES THROUGHOUT JAPAN  
New York Representative Office:  
149 Broadway, New York 6

## MAIN STREET (Continued)

banks and financial institutions throughout the republic.

The balloon used in the motion picture "Around the World in 80 Days" was the center of a Christmas Display at FIDELITY-PHILADELPHIA TRUST COMPANY. The balloon, 31 feet wide and 46 feet high, really dominated the display.

BANK OF AMERICA (INTERNATIONAL), New York, has purchased a 9-story building in the heart of the financial district which will in the future be its new home office.

NATIONAL BANK OF TULSA, Okla., marked a special milestone recently when it celebrated the 40th anniversary of the merger of Planters National Bank with the Exchange National Bank to form the National Bank of Tulsa.

Major A. ERLAND GOYETTE, president of the First National Bank of Peterborough, N. H., and H. FREDERICK HAGEMANN, JR., president of Rockland-Atlas National Bank, Boston, have been appointed trustees of the Boston University Corporation.

CROCKER NEVIN, assistant vice-president of The Marine Midland Trust Company of New York, has been assigned to represent the bank in the Far Western states, in association with ALLEN W. AMES, vice-president. HALDAN E. CONNOR, assistant vice-president, has been assigned to represent the bank in New York State in association with ARTHUR J. SMYTH, vice-president. CHARLES F. HICKOX, assistant treasurer, will represent the bank in the Midwest in association with STANLEY W. HUBBEL, vice-president.

HARRY I. SPENCER, JR., has advanced to treasurer of Worcester County Trust Company, Worcester, Mass., succeeding HERBERT L. MORRIS, who was elected a vice-president.

Herbert L. Morris



Harry Spencer, Jr.



H. L. Mann



George Fichtel

H. L. MANN has been designated as supervisor of branches in Colombia, South America, for The Royal Bank of Canada. He succeeds D. ROBERTSON, supervisor since 1950, who is retiring.

GEORGE S. FICHEL was appointed vice-president and trust officer at the Binghamton office of Marine Midland Trust Company of Southern New York. He was formerly trust officer of Passaic-Clifton National Bank and Trust Company Passaic, N. J.

MURRAY E. THOMPSON, chairman of the board of The Citizens State Bank of Marshfield, Mo., has sold all his stock in the bank to HERMAN O. PEARCE and JOHN HOSMER, present shareholders. Mr. THOMPSON has been elected to the honorary position of chairman of the board emeritus for life. JOHN HOSMER was elected chairman.

FIRST NATIONAL BANK OF NEVADA has opened its fifth banking office in Reno.

JAN F. MOWAT has retired as senior vice-president of Bishop, National Bank of Hawaii, Honolulu, after nearly 40 years with the bank.

Thirty oil paintings depicting passages from both the Old and New Testaments, were on display in the main banking office of WESTERN SAVING FUND SOCIETY, Philadelphia, for two weeks in December.

The National Bank of Lima, Ohio, and The Citizens and Farmers Bank of Spencerville, Ohio, have consolidated under the name of FIRST NATIONAL BANK AND TRUST COMPANY OF LIMA.

HARRY SCOTT LOVETT has joined the West Coast sales staff of Bank Building and Equipment Corporation. He's an architect, contractor,  
(CONTINUED ON PAGE 29)

ONLY ONE DRIVE-UP WINDOW IN THE WORLD

HAS THIS *Bold, Fresh Beauty*



**HERRING · HALL · MARVIN'S**

**NEW FIVE-STAR ★ ★ ★ ★ ★<sup>®</sup>**

*Constellation* **MODEL**

for information  
about important  
new features, see  
the next two pages

### THIS NEW FIVE-STAR CONSTELLATION DRIVE-UP WINDOW

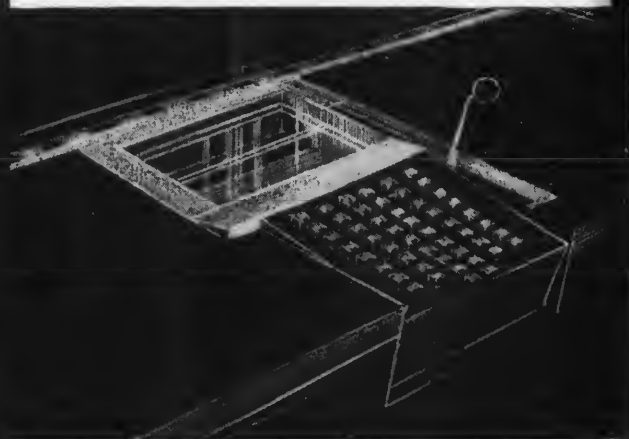
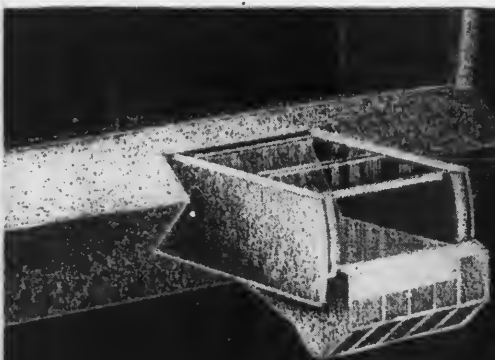


—a complete departure from conventional design—is offered as a fitting companion for our pushbutton-controlled vault entrance which bears the same name.

Note the clean simplicity of the modern lines. Here is functional beauty in its highest expression. And here, for the first time, is a completely weathertight drive-up window. As the depository drawer slides forward to the customer, the wedge-shaped front lowers, providing an ample reach-in space.

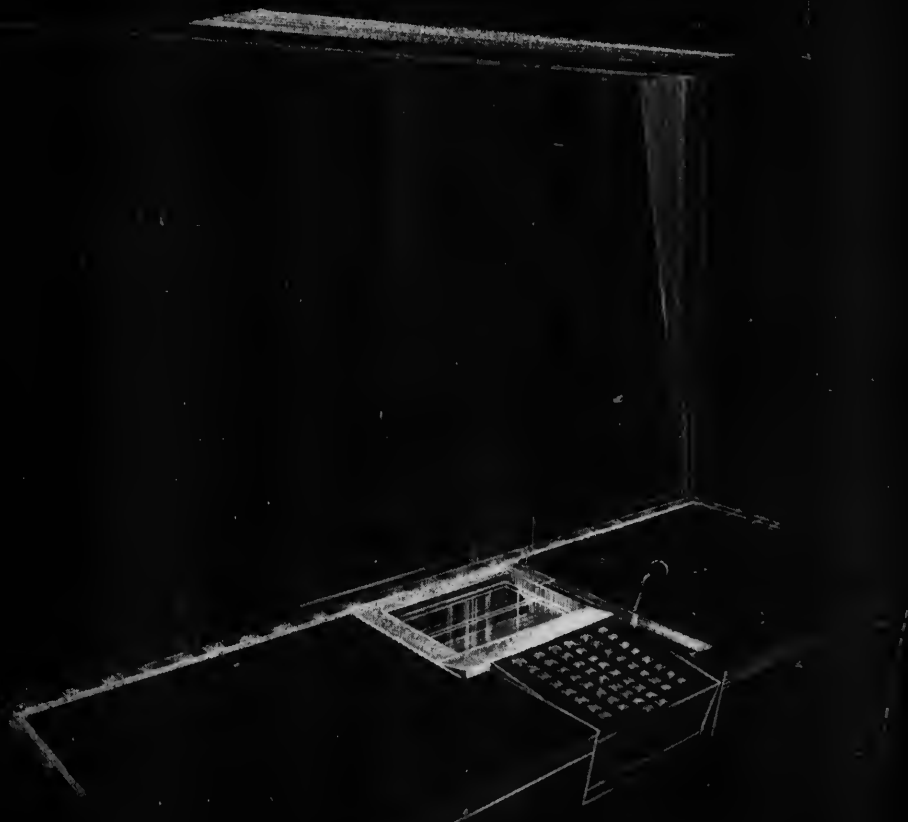
The top of the drawer is covered with bullet-resistive glass, so that contents are completely sheltered from wind and rain.

The leading edge of the wedge is rubber-covered for possible contact with the customer's car or other object. In pushbutton-controlled models such contact trips a switch and all forward motion of the drawer is instantly suspended.



The new Herring • Hall • Marvin Five-Star All-Electric Coin Calculator, offered as optional equipment, has several important advantages over the ordinary manually-operated coin-changing or coin-paying device.

The operation is by remote control, the keyboard and ejector being two separate units. The keyboard, as will be noted, is set into the counter top and is flush with the top, directly behind the depository drawer. The ejector (not shown in the illustration) may be placed on the counter top, near the window, with a chute that drops coins directly into a coin cup in the depository drawer. As with an electric typewriter, only a feather touch is needed to actuate the keys.



**OTHER NOTEWORTHY FEATURES.** Quiet, smooth pushbutton control (manual control if desired). Depository drawer extends 18 inches as compared with the usual 11 inches. New Hi-Fi directional unit for better communication between teller and customer. All inside surfaces in attractive, easy-on-the-eyes shades of green, contrasting with the gleaming stainless steel exterior.

**OPTIONAL EQUIPMENT:** Herring-Hall-Marvin Five-Star All-Electric Coin Calculator, with keyboard set into and flush with the counter top.

*We invite you to write for brochure giving detailed description and dimensions of this revolutionary new equipment.*

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## MAIN STREET (Continued)

and interior work consultant and banks are not at all foreign to him since his father was in banking for 54 years.

CITIZENS BANK OF SHEBOYGAN, Wis., has completed its new building.

J. S. ARMSTRONG was elected president of the Grove City (Pa.) National Bank, succeeding the late JOHN McCUNE, JR. MR. ARMSTRONG was formerly executive vice-president and trust officer.

J. A. PURDY has retired as a vice-president of Bank of America, with the San Francisco head office. During his 36 years, he had seen the bank expand from fewer than 30 branches to more than 600.

AUGUST IHLEFELD, president of Savings Bank Trust Company, New York, has been elected chairman of the board of Institutional Securities Corporation, New York.

J. S. WHITWORTH, vice-president and trust officer of Bank of the Southwest, Houston, retires as of December 31, but not into inactivity. The bank announces that he'll be busy in some venture, because the pipe-and-slippers routine is foreign to him. He has been active in the Trust Section of the Texas Bankers Association, is a past president of

### ARIZONA

Munday Johnston, vice-president of Valley National Bank, Tucson, is 1957-58 president of the Arizona Bankers Association



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the Houston Corporate Fiduciary Association, and was one of the five principals who assisted in preparing and obtaining passage of the Texas Trust Act.

LINCOLN SAVINGS BANK, Brooklyn, has broken ground for construction of its sixth office.

FRANK J. MCCABE, JR., has been elected executive vice-president of the Mortgage Bankers Association of America to succeed GEORGE H. PATTERSON, who is retiring after 26 years with the organization. MR. MCCABE had been assistant secretary and treasurer.

### Has "Great Table"

**I**n the directors' room of the new 6-story bank building of the COLUMBUS (Ga.) BANK & TRUST COMPANY is "the Great Table," 24 feet long and 8 feet wide. Its center is of hand-buffed leather, reputed to be the largest piece of leather finished in this country. Around the perimeter of the table are 18-inch carvings, 28 of them, depicting scenes of local historical interest.

ARTHUR V. HOOK and BEN MCENTEER, recently associated with businesses other than banking, have returned to the National City Bank of Cleveland as branch office managers.

Stockholders have approved a merger of Manufacturers-Central National Bank into the ESSEX TRUST COMPANY, Lynn, Mass. The move was subject to final approval of state and national banking authorities as this was written.



James Delaney



Allen Danielson



Maxwell Sawyer



Dale E. Sharp

ALLEN W. DANIELSON and JAMES E. DELANEY have advanced to vice-presidencies in Bank of America's Los Angeles headquarters.

COMMERCIAL STATE BANK & TRUST COMPANY, New York City, has approved an employee-retirement plan which is to be paid for entirely by the bank.

CLARENCE G. FRAME has advanced to vice-president and cashier, and DONALD W. BUCKMAN to vice-president at the First National Bank of Saint Paul.

WILLIAM E. RICHARD is now vice-president and cashier at the People National Bank of Patchogue, N. Y. CHRISTIAN C. SCHULTZ becomes assistant cashier.

### Planning for 75th

**T**HE CENTRAL NATIONAL BANK of Greencastle, Ind., will celebrate its 75th anniversary with an open house on March 5, it is announced by Fred L. O'Hair, president. The bank, oldest and largest in Putnam County, received its charter in 1883.

Merger proposed: FIRST NATIONAL BANK of Leesport, Pa., and BERKS COUNTY TRUST COMPANY, Reading, Pa.

MAXWELL D. SAWYER has been named executive vice-president of The First National Bank of Des Plaines, Ill. He was formerly a loan officer of The Connecticut Bank and Trust Company, Hartford, and is a graduate of The Graduate School of Banking.

### Sharp Now President

**D**ALE E. SHARP has been elected president and a director of Guaranty Trust Company of New York, to succeed WILLIAM L. KLEITZ, who died November 19. MR. SHARP was formerly executive vice-president.

MR. KLEITZ had been with Guaranty since 1919; president since 1947. His death was attributed to a head injury resulting from a fall from a ladder at his home.

FIDELITY UNION TRUST COMPANY, Newark, N. J., has announced purchase of a new building under construction by the Prudential Insurance Company, which is to be the main office headquarters of the bank.

The Lewis County State Bank of Centralia, Wash., has become the Centralia branch of SEATTLE-FIRST NATIONAL BANK, Seattle.

ALEX MCCULLOGH, for the past three years administrative assistant to U. S. Senator Strom Thurmond, has been named vice-president in charge of public relations at South Carolina National Bank, Greenville.

CROCKER-ANGLO NATIONAL BANK, San Francisco, has opened its second branch in Sunnyvale, Calif., its 68th office.

VALLEY NATIONAL BANK, Phoenix, has opened the new \$300,000 home of its office in Prescott.

CANAL NATIONAL BANK, Portland, Maine, has opened an office in near-by Gorham.

(CONTINUED ON PAGE 32)



Elmer E. McFarland, left, vice-president and trust officer, Merchants National Bank of Bangor, Maine, with Mrs. McFarland and Erwin S. Anderson, the bank's president, as Mr. McFarland was honored at a banquet in celebration of his 50th anniversary in banking



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W. Ducharme



John N. Morris

## MAIN STREET (Continued)

WILLIAM DUCHARME, JR., formerly treasurer, has been named vice-president and treasurer of the Brookline (Mass.) Trust Company.

JOHN N. MORRIS has been elected vice-president and trust officer of the Bank of Palm Beach and Trust Company, Palm Beach, Fla. He was formerly with the Genesee Valley Union Trust Company, Rochester, N. Y.

AL J. RUCH has been elected president of the First National Bank of Clayton, Mo., succeeding KENT RAVENSCROFT, who resigned. MR. RUCH is a past president of the St. Louis County Bankers Association, and has served as chairman of several committees of the Missouri Bankers Association.

GIRARD TRUST CORN EXCHANGE BANK, Philadelphia, has opened its 24th office.

JOHN E. PARKERSON, vice-president of Citizens & Southern National Bank, Atlanta, has been elected president of the Bank of Tifton, Ga. He is succeeded as staff officer in charge of C&S' statewide small business department by EUGENE E. JONES, vice-president. LOUIS J. FORTUNA becomes officer-in-charge of the Marietta street instalment loan department, replacing MR. JONES.

ROBERT J. ZIMMER has been named vice-president of the First National Bank of Mason City, Iowa. He was formerly vice-president of The North Shore National Bank of Chicago.

John Parkerson

Robert Zimmer



BANKING

## The OUTLOOK and CONDITION OF BUSINESS

THE calendar ahead is crowded with fateful questions that change the course of business and even the course of history.

A simple list sounds familiar, like a record we forgot to turn off—the budget, foreign policy, monetary policy, taxation, legislative program, business spending, consumer spending, and union wage plans. There is also the question of what's up those big black sleeves of the Supreme Court. The Courts, as Arthur Krock wrote recently in the *New York Times*, are stretching the idealistic concept of individual rights, in a time of national peril, to the point where the social and military security of the whole people is in danger.

What gives this list extraordinary prominence today is that we must look at it against a new background comprised of Russia's rocketry challenge, a deep and persistent uneasiness about the presidential succession, and evidence of a downdrift in business activity.

### *Do It Ourselves Project*

Rolled into a single all-embracing question of the year, it might read something like this: How are we to regain our technological leadership in military affairs without jeopardizing our financial leadership through inflation? This question is everybody's business and before it is answered will affect every business, from school teaching to that most privately enterprising of all activities, politics.

If this sounds too emphatic, in a year or so perhaps it will not. It is true that nothing is to be gained by getting too concerned about Russia's long-range missiles or the Presidential succession but there is much to lose in making ourselves believe that these are run-of-the-mill developments that don't bother us, pardon, the yawn.

Strictly from the standpoint of an effect on the overall trend, many doubt that the coming expansion in defense spending will be enough, by itself, to change the direction of business. However, such spending is not by itself. A sizable addition to military orders stimulates activity in many areas of the economy, and

has a powerful psychological impact in all areas.

Most of the recent cutbacks in production, employment and expansion plans have been in durables. A stepped-up demand for all sorts of military hardware, plus intensive and extensive tooling-up for the same, will thus have its main effect on the indicators which have been pointing down.

### *Other Facts Are Good*

The statistical factors which from long habit guide most economists in their judgment of business prospects are a medley at present of conflicting signs. Seldom has the psychological factor been more important and less predictable. When large numbers are uneasy about the national outlook from an international standpoint, they are less inclined to act and more inclined to wait and watch. This applies to business spending and consumer spending.

If we disregard this psychological index and the unsatisfactory condition of our foreign relations, the statistical picture of business is not bad at all.

The outlook for 1958, according to all surveys, still has strong optimistic overtones, despite some setbacks which have been widely publicized. There is a conflict between actual business, which is good, and business sentiment. The difference is between facts and emotion.

Consumer instalment indebtedness has been rising at a much lower rate than previously. Maturing loan contracts are being paid, not quite so rapidly as in the past, but satisfactorily. Payments of current bills by retailers are better than they were several months ago.

Savings are still increasing, though not so rapidly as in preceding years. The surplus of goods of all descriptions, naturally, has led to price cutting in some lines, thus, the temptation is great to acquire bargains. Consequently, more dollars have been going into consumer spending than into savings, compared with previous years. Formerly, it was a seller's market, now it's a buyer's market with all that that implies.

So, while there is a moderate dip in general activity,

(CONTINUED ON PAGE 144)



Legislative plans for 1958 were discussed as three American Bankers Association committees met jointly in Washington on December 5. The committees, shown during the all-day session at the Statler Hotel, are the Administrative Committee, Committee on Federal Legislation, and Subcommittee on Taxation. At the head table, left to right, are Lee P. Miller, Association vice-president and president of Citizens Fidelity Bank and Trust Company, Louisville, Ky.; Joseph C. Welman, president of the A.B.A. and president, Bank of Kennett, Kennett, Mo.; M. Monroe Kimbrel, chairman of the Federal Legislative Committee and executive vice-president, First National Bank, Thomson, Ga.; Merle E. Seleeman, executive vice-president, A.B.A.; Henry M. Sommers, secretary, A.B.A.

## The Between-Sessions Change in the Capital Atmosphere

TOM W. MILES

**T**HE atmosphere here in Washington to which this Second Session of the 85th Congress is returning is markedly changed from that which it left four months ago. The change has great import to bankers. Two developments are responsible for bringing it about.

The double dose of sputniks—and our flop with “Pfsstnik,” the fizzling Vanguard—shocked the members of Congress and the public out of their complacency about the preeminence of American science in its application to military problems.

The lowering of the Federal Reserve discount rate put an official stamp on the increasing signs that the inflation, which was a major concern during the summer, is being

arrested. It continues to hover off-stage, however, as a threat and is so recognized.

But even more significant is a lag in some areas of the economy. A number of the business graphs point downward. This is an economic pressure that always finds political expression on Capitol Hill. And it is usually manifested in more Federal spending.

The disappointments in the situation and the new problems Congress faces were pointed up in the opening paragraphs of a statement by Senator A. Willis Robertson of Virginia. It was Senator Robertson who piloted the Financial Institutions Act through the Senate early in the First Session. He said:

“The coming session will be a tough one for those of us who always have favored economy and who had hoped to see the termination in 1958 of at least the superduper war taxes imposed during the Korean War.

“Instead of having the surplus, which we had hoped might be used for tax cutting, it now appears that a major effort will be required to obtain a balanced budget for fiscal 1958 on the basis of present taxes.”

Already the slim budget surplus of \$1.5-billion anticipated for the current fiscal year is threatened. Tax revenues are estimated to be \$1.3-billion less than expected by the Budget Bureau in its October mid-year review. This leaves a mar-

gin of only \$200,000,000, assuming expenditures are not increased. Authority for this is no less than Colin F. Stam, chief of staff of the Joint Committee on Internal Revenue Taxation.

### The New Budget

The Budget Bureau is laboring overtime to whip the new budget—that for the Federal fiscal year beginning July 1—into shape for the President to present to Congress about the middle of this month. The Administration would like to hold that budget to a little less than the current \$72-billion budget, but may have to settle for more in view of anticipated spending pressures. For that matter, the Administration will be quite happy if it can balance even the 1958 budget.

It seems to be pretty much agreed between the Administration and leaders in Congress who have voiced opinions that an additional \$2-billion will be allocated for the development and production of guided missiles and related items for national defense. It was also agreed that this \$2-billion should be provided by curtailment of less important Government services. President Eisenhower made it pretty clear in his television reports to the nation that he thinks the cost of the stepped-up missiles program should come out of other Federal programs.

The problem was posed very succinctly by Senator Harry F. Byrd of Virginia, chairman of the Senate Finance Committee. As he put it:

"It is certain that our military expenditures will be increased in rocketry and ballistic missile fields. How shall we meet the requirement? Shall we resort again to deficit financing, with increased debt, and set off another siege of volatile inflation? Shall we increase taxes? Or, shall we wipe out the nonessential and obsolete activities in the military and all down the line of Government spending?"

"If the missile crisis forces us to spend more in one direction, we must find ways to spend less in other directions. We cannot afford nonessentials in military programs, nonessentials in foreign aid, or nonessentials in Government civilian activities."

Senator Styles Bridges of New Hampshire spoke to the same point. He said:

"Some of the other desirable pro-

grams already authorized by Congress will have to proceed less rapidly than some people might prefer. Some programs will have to be postponed for a while, perhaps forever. First things must come first."

Senator Bridges pointed out that he did not think more than the additional \$2-billion proposed for missiles could be spent in the coming fiscal year "to good advantage without great waste."

So much for desires and aims. But, the business of the vast Federal establishment being a very practical matter in a political matrix, the Administration itself has suggested that deficit spending may have to be resorted to.

After making a strong pitch for a balanced budget, Secretary of the Treasury Robert B. Anderson was interpreted as implying something like deficit spending in promising that the Treasury would not adhere to "absolute rigidity." He explained:

"I want to make it quite clear that we at the Treasury are never going to take any positions which are inimical to the defense of our country as such defense is determined by the people responsible in that field."

Progress toward automation in banks and the need for continued mechanization of banking processes were recently reported to a Congressional subcommittee by representatives of the American Bankers Association. A. R. Zipf (left), vice-president of the Bank of America, San Francisco, Calif., John A. Kley (right), executive vice-president of the County Trust Company, White Plains, New York, and Everett J. Livesey, vice-president and secretary, The Dime Savings Bank of Brooklyn, N. Y., testified November 15 before the Subcommittee on Economic Stabilization of the Joint Economic Committee. Travel commitments forced Mr. Livesey to depart the hearing room immediately following his testimony and before this photo was taken. Mr. Kley is chairman and Mr. Zipf is a member of the Technical Committee on Mechanization of Check Handling of the Bank Management Commission of the A.B.A. Mr. Livesey is chairman of the Committee on Savings Management and Operations of the Savings and Mortgage Division



RENI

Secretary Anderson was credited with calling his shots for the record. At the same time Representative Wilbur D. Mills of Arkansas warned there might well be no surplus at all but a deficit. He could see the threat of further inflation. Mr. Mills, who is ranking Democrat on the House Ways and Means Committee, said:

"If Federal expenditures increase at a faster rate than the expansion of the nation's economic capacity, we will face higher tax rates, tighter money, or inflation, or some combination of the two."

### Capehart for Standby Controls

It is certainly significant when a conservative like Senator Homer M. Capehart of Indiana, ranking minority member of the Senate Banking and Currency Committee, urges the enactment of standby wage, price, and credit controls.

Further warning about the lurking threat of inflation came from Governor J. L. Robertson of the Federal Reserve Board. He scored the notion that creeping inflation is inevitable and desirable as "a very attractive fallacy, a myth in the making."



ROBINSON IN THE INDIANAPOLIS NEWS

"Always One Reserved for the Tin Cup"

Mr. Robertson feels creeping inflation cannot be held to a creep. As he explained it:

"There is no way to stabilize inflation. If we should support inflationary developments at any planned rate, creeping, walking, trotting, or any other speed, the fact would soon become evident to everyone. At once this would affect all economic calculations. Sellers of goods or services in strategic bargaining positions would try to beat the game by insisting on price rises even larger than the planned rate of inflation. Buyers would offer little resistance in the belief that prices would be even higher tomorrow."

### Reducing Domestic Programs

In the matter of the reduction of nonmilitary domestic programs, some of the real problems involved were cited by Budget Director Percival F. Brundage. To effect savings in the large variety of the Government's benefit programs he pointed out legislation and reducing programs would be required. He said:

"One of our main problems is that a substantial portion of the cost is not subject to administrative discretion through the budgetary process in any given year. Many benefits are based on laws passed over the years which commit the Government to make payments under stated conditions as long as the legislation remains on the books."

Director Brundage also called attention to "the growing practice" of making substantial amounts of new

obligational and spending authority available through such financing devices as permanent appropriations, authorizations to expand from debt receipts, permanent contract authorizations, and specified formulas established in basic legislation for various grant-in-aid and other programs.

### Debt Limit Prospects

With all the talk of spending, what about the \$275-billion limit on the nation's indebtedness which was imposed by Congress? The President's Budget Message will have the answer. If spending goes up without corresponding revenues, the Administration will be obliged to ask for an increase in the debt limit—and will very likely get it. But, as Under Secretary Julian B. Baird reminded BANKING, "We haven't asked for an increase in the debt limit yet." That was before the heavy spending pressures were felt and at a time when the Anderson-Baird team was attracting attention with the sound and astute measures it was using to "roll over" Federal indebtedness within the statutory limit. The Washington picture changes fast.

A tax cut is another illustration of the flux of events in Washington. Just a few months ago the House Ways and Means Committee was making preliminary studies with a view to a tax cut in this Second Session. In an election year a tax cut has great appeal to members of Congress.

But regardless of its political appeal right now, no responsible person either in the Administration or the Congress is giving any serious consideration to a tax cut. Even so, it is conceivable, however, that if the downward slope of the so-called leveling-off of the economy becomes any sharper, the Administration itself might ask for a tax cut out of deficit—not surplus—as a means of stimulating the economy.

### Tax Reform

The crying need for tax relief on the part of banks and business has resulted in a very strong effort to promote a tax reform bill which Representative Antoni N. Sadlak of Connecticut, a member of the House Ways and Means Committee, introduced in the First Session. The bill calls for coordinated reduction in all the progressive rates of individual tax, with the first bracket rate being reduced from 20% to 15%. The top rates of tax would be brought down to 42%, the individual tax from its present top of 91%, and the corporate tax from 52%. Mr. Sadlak and other authorities believe his bill would stimulate compensatory revenues. The bill which provides for reductions scheduled over a 5-year period has run into an ingrained dislike on the part of Congress to schedule tax cuts long in advance. Each Congress wants to grant—and take credit—for any tax cuts occurring.

### A.B.A. in Washington

Bankers from a number of divisions and committees of the American Bankers Association had direct contact with these problems during the week of December 2-6. This was a record week for the A.B.A.'s Washington office.

Included were the National and State Bank Divisions the Administrative Committee, and a number of others.

The Financial Institutions Act was one of the matters that was considered. The bill is still in trouble in the House, where the Banking and Currency Committee is holding hearings. The problem is two-fold: first, to get it through the committee promptly despite the great number of questions that Representatives Wright Patman of Texas and Abraham J. Multer of New York have indicated they want to ask; and, second, to get it up for floor

action before opposition can set up obstructions.

### Mobile Banking

The approval of mobile banking operations for a bank on the island of Puerto Rico by the Federal Deposit Insurance Corp. in conjunction with the Federal Reserve Board and the Comptroller of the Currency, raises the question whether this type of service might be sought in certain areas of this country.

Chairman Jesse P. Wolcott of the FDIC told BANKING there are no applications pending, and any that may be submitted will be considered on their merits.

### Wage-Hour Booklet (see p. 133)

A 24-page booklet of questions and answers, *How the Federal Wage-Hour Law Applies to Banks* was released recently by the U. S. Department of Labor's Wage and Hour and Public Contracts Division.

Individual copies may be obtained free from the national or regional offices of the Divisions.

The booklet is tailored to the problems of the banking business and sheds light on a number of matters that may puzzle employers and employees. It asks and at the same time answers such questions as:

*Q. Does the Fair Labor Standards Act (Federal Wage-Hour Law) require banks to pay their employees*

(CONTINUED ON PAGE 114)

## World Bank Becoming Ever More Worldly

SINCE its inauguration in 1946, the International Bank for Reconstruction and Development has become more worldly and more and more truly international. In the ordinary meaning of the word, the Bank has become more worldly in that it no longer throws its resources into a balance-of-payments breach as it did in its initial loan of \$250,000,000 to France, but is careful to give its assistance only for reasonably specific purposes and projects with sound prospects of paying off.

The Bank has become more worldly in another sense, of course, for with the passage of years the geographic areas served by Bank-financed dams, railways, highways, steamships, steel mills, grain storage bins, power plants, machinery, and the like have progressively increased in number and importance. Also the number of member countries has grown with the passage of time. With World War II receding into the past, former neutrals and belligerents have joined the community of free nations, while a number of newly independent nations have duly enrolled.

At the Bretton Woods Conference of 1944 the Bank's articles of agreement were put together rather hurriedly in the meeting's last phases. All eyes and hopes seemed to be centered on the International Monetary Fund, whose task of course was far more difficult and in some respects pressing. To say that the Bank to date has been more successful than the Fund in bringing to realization the dreams of its founders is not to draw an invidious comparison between the respective groups of managers. Thanks to huge American outpourings of foreign aid of various kinds, notably the Marshall Plan and the British Loan, the tasks of Fund and Bank have been tremendously helped. In any case, the reconstruction phase of the IBRD is past. It is now a development bank.

When the Bank began operations it was mainly a channel for siphoning American capital into internationally selected reconstruction and development projects. The U. S. was the largest shareholder both for obvious reasons and because, in an effort to get Russia to join, the U. S. at Bretton Woods assumed part of the proposed Russian "quota." In 1946 there were 38 member countries as the Bank got under way; this year there are 64. In 1946 the U. S. subscription constituted 41.4% of the Bank's capital; in 1957, only 34%. In 1946 the U. S. voting voice was 37%; now it is only 29%. In this way, too, the Bank has become more international.

As much as by the loan of its capital, the IBRD has operated on borrowed money, selling its obligations to private investors. This it could never have done, of course, but for the fact that the U. S. guaranty stood behind the Bank's credit to the extent of more than \$3-billion. And, since the currency far and away most in demand in the

late Forties was the Yankee dollar, the Bank turned to the American bond market for the needed millions. The growing internationalization of the World Bank is shown by its increasing reliance upon non-American sources of capital. As industrial nations have recovered from World War II, they have become increasingly able to supply capital goods desired by the Bank's borrowers, and their currencies have come increasingly into demand.

IN September 1953 the Bank sold about \$43,000,000 of a \$75,000,000 issue outside the U. S. For three years after January 1954 the Bank sold no issues on the U. S. market. The Bank has borrowed from private investors and others in Canada, the United Kingdom, Switzerland, Germany, the Netherlands and other countries. Roughly 60% of the Bank's funded debt is held outside the U. S., and, of its dollar obligations alone, about 41% are so held.

One source of Bank resources is the sale to investors of borrowers' obligations. Of \$335,055,000 so raised up to September 1957, 60% was from outside this country. Repayments by borrowers have given the Bank about \$200,000,000 more, available for relending.

Space limits permit merely the mention of the "18%" question. Theoretically members subscribed 2% of their quotas in gold or dollars and 18% in local currency which the Bank might lend to borrowers. Until recently, most members would not allow the Bank to use freely the 18% portion. Latterly the obstacles have tended to ease, so that the non-U. S. dollar 18% money available today almost equals the U. S.'s 18%.

In short, the Bank calculates that not less than half of the funds it has lent or scheduled for lending have originated outside the U. S.

HERBERT BRATTER

**A World Bank loan helped finance this 16-inch, 350-mile long gas pipeline from the Sui field in Baluchistan to Karachi**



# DEAR BOSS—

By DICK ERICSON

Dear Boss:

We go to great lengths to explain to employees the group life insurance plan; the major medical plan; the profit sharing plan; on what dates of the month we pay; the cost of living adjustment; where they go for a coffee break; how long the coffee break is; what time they report for work in the morning; what time they leave in the afternoon; the various holidays the bank observes; and we even send them a three-page bulletin on the bank's vacation policy so there can be no question about it.

All this is as it should be; but how much time do we spend explaining . . .

. . . the employee's job in relation to the bigger picture?



"Now, here's your job—take a pink hunk of paper and stick it in that slot. Then push the buttons that match the figure in this part of the blue paper. Pull the lever till the machine goes throomp, and then put both papers here. Got it?"

. . . what the other fellow does?



"You say you wrote a note to the bank about your account? A note, eh . . . Oh! He's probably got it over there."

. . . what is bank policy on matters such as loans and check cashing?



Customer: "Tell me one reason—just one—why that V. P. wouldn't O.K. this check?"  
Teller: "Can't imagine. I guess he just didn't like your looks."



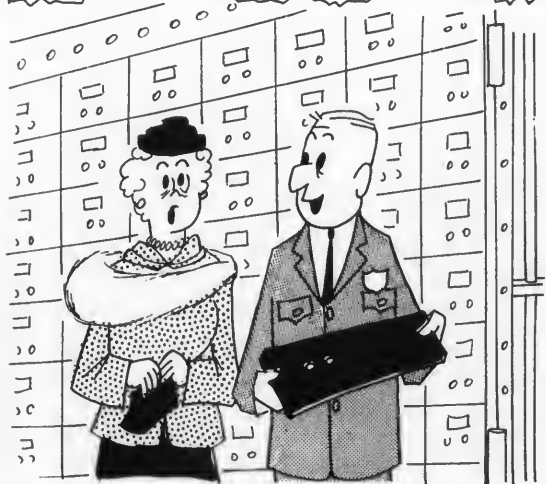
... what is bank practice on things like checking account service charges?



Madam Driver: "This month I drew only lots of little bitsy checks, yet my service charge is higher than last month when I drew a couple of big ones. What's the idea?"

Miss Teller: "Don't blame me; I only work here."

... what the main functions of the various departments are?



Boxholder: "I must make a will ... but I hate to have to name that scatterbrained brother of mine executor."

Vault Attendant: "Got any personal friends that are handy with figures?"

... what bank services can be afforded by most folks?



Friend: "Is that where the tycoons sit and clip coupons?"

Floor guard: "Yup! All the big shots hang out there."

... and how about a super briefing for me?

Frank Surmise  
PUBLIC RELATIONS DIRECTOR



"Let's go over these ads you've prepared ... Ye gods! Get that cat out of that illustration! Don't you know Mrs. Grubmiser, one of our principal stockholders, is a dog fancier and hates cats?"

Dick  
ERICSON

# Automatic Bookkeeping for Checking Accounts

FORDE STEELE

This is the first of a series of articles intended to inform bank management of new bank equipment which is being developed. While electronic machines under development give glittering promise of a new world of bank operations, much of the promise has not yet been realized. There is also the chance that many banks will not be able to utilize this new equipment profitably. Therefore, it is important that bank management become familiar with each new piece of equipment which is being developed to understand what it will *not* do, as well as what it will do.

—The Author

*The author is vice-president in charge of the planning department of the Central National Bank of Cleveland.*

**Y**OUR bank is indeed a rarity if it has not received a visit from a salesman who has tried to sell a check imprinter as an *important first step* toward automatic check handling. This suggestion carries with it a companion proposal that account numbers should be assigned to all accounts and checks and deposit tickets imprinted with these numbers. Further, the implication is made, even if it is not stated outright, that the bank which does not begin this process immediately is in dire possibility of falling behind the parade.

It is true that fully automatic equipment requires numbers, and even the present semi-automatic bookkeeping machines provide greater accuracy if numbers are used. However, one basic principle needs to be recognized at this point—

*A numbering system should not be chosen until the type of equipment which the bank will use for posting has been determined.*

This admonition is particularly

pertinent if the sales talk has held out visions of making use of an electronic sorter. The probable cost of the electronic check sorters now being developed may be so high that they can be used economically only by those banks which have the equivalent of four full-time persons sorting "on us" checks. There is also some thought among certain forward thinking bankers that it may not be necessary to have numbered accounts to use the semi-automatic machines successfully.

However, there is no denying the fact that imprinted checks greatly increase the efficiency of manual bookkeeping systems. In fact, at Central National Bank of Cleveland, a gain in bookkeeper efficiency of 15% was realized when the percentage of imprinted checks was raised from 75% to 99%. This gain in efficiency more than paid for the cost of giving imprinted checks free of charge to all personal account customers.

## **Importance of Checking Account Automation**

The use of banking services is growing at an astounding rate. With each passing year, millions more checks are used. More customers

open savings accounts and make use of the instalment and mortgage loan facilities offered by their community banks. All of this increased activity creates a terrific impact on bank operations and poses the very serious problem of how banks are going to be able to handle this tremendous increase in clerical work.

The obvious answer is to make greater use of mechanical and electronic equipment. However, change comes slowly to banking. This is particularly emphasized when we realize that we have been using essentially the same bookkeeping machine for the past 50 years. Certainly there have been improvements in the functioning of the machine, but its basic characteristics are the same as they were 50 years ago when the bookkeeping machine was first invented.

Realizing this, it is very important that every bank operating officer and every person responsible for the progress of his own institution be as familiar as possible with the new equipment which is being developed. It promises a benign revolution and one which will not come a bit too soon. We must make certain that the pendulum does not move too far too quickly. Signing an order for a piece of electronic equipment does not guarantee that your problems have been solved. In fact, a piece of equipment may be too large and therefore too costly for your operation, or it may require operators with talents which your employees do not have.

Preparation is the key word. Preparation is the open sesame to the successful utilization of the new equipment now under development or on the drawing board. If you haven't done so already, the first

and most important step is to assign to someone the basic responsibility for becoming familiar with the new equipment and learning how it can be applied to your operations. Committed with this is the responsibility for learning what equipment will and will not do so that the stockholders' funds are not wasted on equipment too large or too expensive for your bank.

### On-the-Premises Check Imprinters and Encoders

The "on-the-premises" check imprinter has become quite popular in many banks, because it enables the bank to give its customers almost instantaneous delivery of imprinted checks. This is particularly true where the bank has a "sell the book" plan for special checking accounts. With one of these small imprinters, a clerk or teller can deliver 15 or 20 imprinted checks within a few minutes. For banks or branches with less than 2,000 checking accounts, it is possible for a teller or a stenographer to operate the check imprinter on a part-time basis.

However, before installing such a machine, the following points should be considered:

(1) *Cost per check:* If it is possible to install a small imprinter and utilize otherwise lost time of bank personnel, the apparent cost is not too great. However, if the actual cost of the time spent is included and added to the cost of the equipment and the supplies, the bank may pay more for its checks than it would if the checks were purchased from a regular commercial check imprinter.

(2) *Quality of imprint:* As a general rule, the simpler an imprinting machine is, the lower the quality of the imprinting job it can do. Many of the small imprinters provide for loose type to be set in a fiber or light metal chase or tube. Since the type is loose and the tube does not provide the firm "locking in" that can be applied to regular type, the letters and numbers may be somewhat irregular. Imprinters who accept linotype slugs will produce a better quality of imprint, but they do have the disadvantage of requiring a new slug each time a name or address is changed.

(3) *Position of number:* The manufacturers of most of the small imprinters have already made pro-

vision for placing the account number in the lower center of the check because this is the location recommended by the A.B.A. Committee on the Automation of Check handling. This location will be required in the future when and if the bank can afford to utilize an electronic check sorter. However, this location is one of the most inefficient for manual check handling. The most efficient manual sorting and posting is provided if the number is located in the upper right-hand corner above the amount.

**There is another reason for keeping the number placed on checks at this time away from the lower edge. If and when the bank decides to begin imprinting with magnetic ink, and starts to make use of the magnetic ink numbers for sorting purposes, it will be difficult for the operators to determine whether a check has been imprinted with magnetic ink or with regular ink. Granted that the magnetic ink characters will have a special appearance and may be easily recognizable, it would still be confusing to have both magnetic and nonmagnetic ink numbers on the lower line.**

(4) *Can magnetic ink be imprinted successfully?* Most manufacturers of the small imprinters claim, and there seems to be no reason to doubt it, that their equipment will be able to imprint magnetic ink successfully. However, since magnetic ink readers have not yet been placed on the market, or even perfected to the point where it is possible for banks to try samples of magnetic ink imprint-

ing to determine its quality, there is no assurance at the present time that the ink impression placed on the check by the imprinter you choose can be successfully read. The encoders which the check manufacturers will produce will probably place the amount on the check with a paper ribbon which permits a carefully controlled deposit of magnetic ink to be placed on the check. If the check imprinter works from ink pads or from ribbons, it may be difficult to be certain that the proper amount of ink has been placed on the check. However, these are factors which are as yet unknown and cannot be determined successfully until each manufacturer of a check imprinter can demonstrate with magnetic ink that his imprint can be read successfully.

(5) *Small imprinters cannot be used to put numbers on all checks.* It is generally conceded that the small imprinter is feasible only for personal accounts where check usage is small. For those individuals who use a great many checks, for company checks, or for check books having more than one on a page, it is usually necessary or advisable to order checks from a regular imprinter. If the accounts for which the small imprinter is to be used are intermingled with those for which checks must be obtained from other sources, it is important that inquiry be made to determine that the check imprinter can put the numbers the same place you will be placing them with the small imprinter. In our own experience, we have found that at least one check imprinter cannot place the numbers on the check in the position we want them. This has forced us to make an exception in the case of orders processed by this imprinter.

Despite the possible objections to the small imprinter, this inexpensive machine provides one of the best ways for smaller banks to engage in a program of supplying imprinted checks to the majority of their customers. It is also possible to number accounts in this way, but there is some question as to whether an imprinter should be installed solely because it appears to be an easy way to number accounts. This is not because there is anything wrong with using the small imprinters but rather because of the question as to whether or not the

(CONTINUED ON PAGE 122)

Forde Steele



# IT'S HOMEWORK TIME!

The author of this editorial is DR. E. SHERMAN ADAMS, deputy manager in charge of the Economic Policy Commission.

**M**OST bankers discovered long ago that their homework days are not over. There are times when they have a clear duty to do some burning of midnight oil. And such a time is now.

Specifically, today is a time when every banker should be well informed on the subject of bank reserve requirements. Not a very enthralling subject, to be sure, but a mighty important one for bankers.

We need do no homework, of course, to know that the present set-up of bank reserve requirements is a mess. Existing requirements are outmoded, excessive, and unfair. There is widespread agreement that reforms are long overdue.

But just what should be done to correct this situation? That is the big question on which every banker today should have intelligent opinions.

Why today? Why this note of urgency? Because, now that inflationary pressures have abated, there may be an opportunity in the months immediately ahead to make real progress toward needed reforms in the reserves structure. If this opportunity is missed, there may not be another for many years.

## A Concrete Program

The Economic Policy Commission of the A.B.A. has already done its homework on this problem. Three and a half years ago, with the encouragement of top Federal Reserve officials, it undertook a comprehensive study of this whole complex subject. A year ago it came up with some answers in the form of a concrete program for revamping the reserves pattern.

Federal Reserve people have been doing a lot of homework on this subject, too. In fact, they have been studying it continuously over a long period of years. It should be added that they were most helpful to the Economic Policy Commission in making its study.

As yet, of course, the Federal Reserve has not come out for any specific plan. Various spokesmen have indicated from time to time that they think reserve requirements are too high and that the reserve base should be revised. But the Board of Governors has refrained from either endorsing the A.B.A. plan or presenting recommendations of its own.

The reason for this is that until quite recently the Reserve authorities have been preoccupied with one overriding problem: combating inflation. But this situation has now changed. Unless there

## The A.B.A. Reserves Plan

(1) Eventually reduce reserve requirements for demand deposits to 10%.

(2) Make this 10% requirement uniform for all member banks.

(3) Authorize the Federal Reserve to vary the reserve requirement for demand deposits over a range of 8% to 12%.

(4) Eventually reduce the reserve requirement for time deposits to 2%.

(5) Permit member banks to count vault cash as part of their legal reserves.

Copies of the Commission's report entitled, *A Plan for Member Bank Reserve Requirements*, are available on request.

should be a sudden resurgence of inflationary pressures, this reason for postponing public consideration of the reserves problem will not apply over the months ahead.

In this event, the Board of Governors may soon make known its position on this problem. After so many years of study, thinking within the System must by now be pretty well jelled. The Reserve authorities received the complete A.B.A. study about a year ago and had copies of a fairly final draft almost two years ago. And certainly they are aware of how important this matter is to banking and how unfortunate it would be, from many angles, if an opportunity to make some progress toward reform were to be missed.

## The Plan Has Support

Over the past year more than a few bankers throughout the country have been studying this problem too. At least one copy of the Economic Policy Commission's report has gone to every member bank. That many of these copies have been carefully read is attested by the stacks of letters the Commission has received and the requests that have come in for more than 8,000 additional copies. The subject has been on the agenda of bankers' meetings, and a number of state bankers associations have formally endorsed the A.B.A. plan. In general, the plan has met enthusiastic support among bankers who have become familiar with it.

But there are still many bankers who have not as yet gotten around to studying this matter. While we are waiting to learn the position of the Federal Reserve, for those bankers who have not as yet studied this subject: *It's homework time!*

# 50 Years' Experience Proves Banking Satisfying Vocation

HERSCHEL H. PATTERSON

MR. PATTERSON is assistant financial editor of the *Chicago Tribune*.

A HALF CENTURY has brought banking in Chicago from the horse and buggy era to the age of the machine.

Changes typifying that transition were described recently by a veteran Chicago banker whose career has embraced a half century—with six more years tacked on for good measure.

The veteran banker, Hugo A. Anderson, 70 years old, still very much active as a general vice-president of the First National Bank of Chicago, in an interview in his office at the bank related details of the horse and buggy aspects of banking in the early days of this century. And it was literally horse and buggy.

He recalled that currency from the stockyards was delivered at the bank by a money wagon drawn by two spirited horses. Accompanying the wagon were guards on horseback, armed with rifles.

Mr. Anderson also noted that one of the bank's directors in the early days would, likely as not, hop out of his horse-drawn buggy and clump into the bank in his boots, carrying his driving whip. There's none of that today.

## Early "Bellhops"

Bellhops were found in banks in those days, too. They had nothing to do with hotels, as now, but were bank messengers. The name was derived from the fact that a bank official would ring a bell to call one of them.

It was as a bellhop that Mr. Anderson started with the bank in 1901

at the age of 14. His salary was \$13 a month.

This is one part of banking in which a vast change has been made in the last half century. The former bellhops are now called pages, and at First National the jobs are filled by girls. They are paid many times \$13.

## Methods Are Different

Not only has banking changed physically in the last 50 years, but methods of operation have changed. Several of these were described by Mr. Anderson.

One important change, which came before 1920, was what Mr. Anderson termed the development of the "science of credit."

"Our credit system at the time was in keeping with those horse and buggy days," he said.

Bank loans early in the century were often based on verbal statements made by the borrower as to the condition of his business and the particular need for the funds.

## Credit Information

"In the great industrial expansion that came to our country in the first quarter of the century, bankers quickly learned that, if they were to give constructive aid to business, they would have to have a more intimate understanding of the particular business enterprise they were financing," he said.

"With greater opportunities for lending money to fast growing enterprises, bankers set up new requirements of complete financial statements, and a great deal of other material helpful in properly interpreting the financial statement and

obtaining an intelligent understanding of all the problems in the particular business under consideration."

Another development was the establishing of divisional operations in the banks, or "banks within the bank." The head of the division in effect became the president of his "bank" and his assistant the cashier, said Mr. Anderson.

This permitted the bank to retain the valuable close contact with its customers although it was growing into a large institution, he explained.

## Closer to Customers

He said that banks are in closer contact with their customers than they were 50 years ago. They not only are following the customer's operations from month to month, but are constantly reviewing his program with an eye to the future.

Mechanization has vastly speeded the operations of banks. Early in the century, hand-posting in the ledgers was a slow and tedious process, Mr. Anderson recalled. Now, through the use of bookkeeping machines, an employee at First National can accomplish 1,400 to 1,500 transactions a day.

Another big change in banks is in the employment of women, who in many cases form about half of the personnel.

In Mr. Anderson's own bank, women make up 42% of the employees to a total of 1,137, compared with 1,578 male personnel. The bank back in 1907 had 598 male employees, and only 10 women were on the payroll.

Other changes in the last 50 years

include the more streamlined appearance of banks' interiors, training programs for employees, more benefits, and a higher average level of education among starting employees.

One facet of Mr. Anderson's career was his pioneering about 30 years ago of loans on independents' oil holdings, a new development at that time in banking. He has made over \$1-billion of such loans.

After more than 50 years in banking, what is Mr. Anderson's advice to the young man planning a career? It is this:

"Banking is one of the most satisfying vocations a person can go into, not only from compensation but from contacts in a field where the individual can feel he is a part of the country's economy and growth."

Mr. Anderson at his desk in the First National Bank of Chicago, where he is general vice-president



## 32 G.S.B. Theses Gain Library Acceptance

THIRTY-TWO theses prepared by banker-graduates of the Class of 1957 of The Graduate School of Banking have been accepted for placement in the libraries of the American Bankers Association, of Rutgers—The State University, and the Baker Library of the Harvard Graduate School of Business Administration.

The 32 theses, in abridgements by their authors, will appear in the volume *Present Day Banking 1958*, to be published next spring by BANKING.

The 32 banker-authors are from banks in 15 states, the District of Columbia, and Colombia, South America.

The selection of the theses is a real honor for their authors. Of the 326 theses submitted by members of the class of 1957, only these 32 were chosen for the recognition. To be approved for inclusion in the libraries, a thesis must first receive a recommendation from a panel of examiners specializing in the subject which the thesis covers. The recommendation for library acceptance is made to the Library Thesis Committee of the School, where each thesis is critically reviewed by additional expert readers before final selection is made for library use. Thus, only the outstanding

theses are chosen to be made a permanent part of banking literature.

### Authors; Theses

The 32 authors and their thesis titles are:

Henry S. Baker, Jr., assistant vice-president, Fidelity-Baltimore National Bank, Baltimore; *Maryland Tobacco—Certain Aspects of a 200-Year-Old Enterprise.*

John C. Brinkman, vice-president, National Bank of Washington, D.C.; *The Bank Consolidation and Merger Movement.*

Henry W. Brockenbrough, trust officer, State-Planters Bank of Commerce & Trusts, Richmond, Va.; *An Analysis of Dispositive Trust Provisions for Children.*

Thornton J. Canton, trust officer, Citizens Fidelity Bank and Trust Company, Louisville, Ky.; *Problems of a Growing Trust Department.*

P. J. Cooper, vice-president, American Trust Company, Charlotte, N. C.; *The Role of Banks in the Liquidation of Industrial and Commercial Loans in the Reconstruction Finance Corporation.*

Richmond M. Corbett, assistant trust officer, Chicago Title & Trust Company, Chicago; *Pensions for the Self-Employed.*

John J. Corcoran, assistant manager, Fidelity Union Trust Company, East Orange, N. J.; *Meeting the Personnel and Public Relations Merger Problems of Newly Acquired Community Banks.*

Hugh F. Coyle, estate and trust administrator, Bankers Trust Company, New York City; *New York Fiduciary Administration of Oil and Gas Properties.*

Prescott C. Crafts, Jr., vice-president, The First National Bank of Boston; *A Management Re-Examination of Expansion Overseas by American Banks.*

William S. Creighton, assistant cashier, Bank of California N. A., San Francisco; *The Hawaiian Sugar Industry and Its Financing.*

Archibald E. Dunning, assistant cashier, Philadelphia (Pa.) National Bank; *The Case for Cross-County Branch Banking in Pennsylvania.*

John F. Elsbree, assistant vice-president, Rockland-Atlas National Bank, Boston; *A Study of Social, Economic, and Political Causes and Effects of Commercial Bank Mergers.*

Robert H. Ewen, assistant treasurer, The Bank of New York; *Lease Financing of Chain Store Furnishings and Equipment.*

John F. Fralick, assistant trust

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# Bad Debt Treatment for Federal Tax Purposes

*Formulas Have Been Set Up to Assist Banks*

*This is the second in a series of articles on the subject of tax matters of interest to banks. The articles are being prepared in Washington by HERBERT BRATTER, who is BANKING'S correspondent there.*

**U**NDER Section 166 of the Internal Revenue Code, banks, like other enterprises, are permitted to set up reasonable reserves for bad debts. In interpreting "reasonable" the Internal Revenue Service takes cognizance of the fact that, by virtue of the nature of banking, the risks of losses from this cause are greater than for most businesses. In this limited space we can take up only the highlights of the subject, which may be found expounded in detail in commercially available Federal tax services.

## Two Ways to Handle

For tax purposes a commercial bank or trust company may handle bad debts in either of two ways: (a) specific charge-offs of bad-debt losses during the year or (b) creating and maintaining a reserve for bad debts. The law does not set forth any specific formula which banks maintaining bad-debt reserves must follow; nor does the Internal Revenue Service. The bank's practice must be reasonable. A bank, if it wished, could adopt the "5-year rule," using the last five years' average experience as its basis for paying into its bad-debt reserve; but few banks would be interested in so short-range a basis.

For the guidance of commercial banks and trust companies the Internal Revenue Service has sug-

gested a formula which it regards as reasonable. This formula is based on experience over 20 years, and it has two variants. It is optional with the bank whether it uses this formula. The bank may, moreover, deem it in its interest not to avail itself fully of the formula. Currently claiming less than the permissible deduction postpones the time when the reserve will reach its ceiling.

## Reason for Mimeo 6209

A bad-debt reserve provides for future losses likely to be experienced on loans presently outstanding, based upon the bank's own experience over a period of years; or if the bank is not old enough, on the experience of comparable banks. This principle was first recognized in the Revenue Act of 1921. Administration of that provision by revenue examiners left very much to be desired from the banks' standpoint. For a variety of reasons banks did not feel encouraged to use the reserve method. Individual banks and the A.B.A. argued in Washington that banks should not in this respect be treated—as in fact they were being treated—like ordinary businesses; that they were acutely subject to the vicissitudes of cyclical economic fluctuations and should be accorded special treatment.

What emerged from long years of effort by the A.B.A. was the Commissioner's Mimeograph No. 6209 of December 8, 1947, since supplemented primarily by Mimeograph No. 54-55 of April 8, 1954. These mimeos took the position that experience over a long period of years should form the basis of an-

nual contributions to a bad-debt reserve adequate in total amount to meet cyclical defaults by borrowers. In effect the aim is to spread over a couple of decades the losses which otherwise might be concentrated in a single bad year or two. The mimeos also reflect the safeguards sought by the Internal Revenue Service, designed to avoid bad-debt reserves getting out of hand; and so the formula makes provision for a ceiling beyond which tax-deductible contributions may not be made.

## How It Works

The 1947 Mimeo No. 6209 authorized banks to use as the measure of any year's contribution to the reserve for bad debts the average ratio of bad debts to loans outstanding during the 20-year period ending with and including the taxable year. In each succeeding year the 20 years moved forward. Thus for taxable year 1947 the 20 years comprised 1928-1947; for 1948, they comprised 1929-1948, etc. Moreover, in this formula there was a ceiling, to wit: three times the bank's moving-average loss rate applied to the loans outstanding at the end of the taxable year. As stated, adoption of this formula by banks was left entirely optional, but, once adopted, it could not be given up without the approval of the Internal Revenue Service.

Banks using this formula may compute the bad-debts-to-loans ratio either by averaging the ratios for each of the 20 years or by comparing total net losses for the whole 20 years with total loans for the same years. The losses must be net,

after recoveries. Whether a bank was on a charge-off or reserve basis in previous years has no bearing on the formula. Mimeo 6209 relates only to bad debts resulting from loans. Losses on bonds and other securities are not to be included in ratios or ceilings.

A bank which has not been in business as long as 20 years may calculate a 20-year formula by including, for the portion of the 20 years when it was not in existence, the experience of comparable banks in its own or other communities. Such comparable data may be obtained from the Federal Reserve Bank, the Comptroller of the Currency, the state banking authorities, or the Internal Revenue Service. Where a bank is the outgrowth of or successor to an earlier bank doing the same kind of banking, the predecessor bank's experience is the most logical to use.

#### **"Government Insured" Loans**

Government-insured loans must be excluded from the 20-year average. "Government-insured" used to mean 100% insured, but a ruling published in the Internal Revenue Bulletin of May 27, 1957, modifies the previous official interpretation of Mimeo No. 6209 so that it applies to Government-insured or guaranteed loans to the extent insured or guaranteed. The 1957 ruling, therefore, applies, inter alia, to GI and FHA Title I loans in addition

to FHA Title II loans, which, right along, have been regarded as "Government-insured" loans.

Under the 20-year formula recoveries on bad debts sustained prior to adoption of the reserve method need not be credited to the reserve; but recoveries on bad debts which have been charged to the reserve must be credited to the reserve.

The reserve ceiling mentioned above applies to any bad-debt reserve, whether based upon 20 years' experience or some shorter period.

#### **Amendment to 6209**

Early experience with the operation of Mimeo No. 6209 showed certain weaknesses with respect to the formula and the ceiling. The A.B.A. presented a number of arguments for change in the formula. For one thing, its computation imposed a substantial burden on small banks, with the result that less than half the commercial banks made use of it. The formula tended to favor speculative banks which had deferred writing off bad debts until required to do so. As the moving average moved away from the worst years of the depression it tended to become less and less adequate.

For these and other reasons the Association sought the adoption by the Treasury of an industrywide basis, under which an annual addition to bad-debt reserves of a certain percentage of total eligible

loans would be permitted as a current deduction to income until the reserve reached a specific percentage of loans. This proposal failed to obtain Treasury approval, but instead the 1954 Mimeo number 54-55 was issued.

This offered banks an alternative method for computing annual additions to the bad-debts reserve; and the maximum amount of the reserve. Instead of the last 20 years, a bank may use the experience of any 20 consecutive years of its own experience after 1927. Additions to the bad-debts reserve in any year may not exceed an amount which would bring the accumulated total in the reserve at the close of the taxable year to a ceiling greater than three times the average experience factor applied to loans outstanding at the end of the taxable year.

#### **Changing to 6209 Formula**

As in the case of Mimeo 6209 of 1947, the 1954 Mimeo No. 54-55 provides that it is reasonable for banks without sufficient years' experience of their own to set up a reserve commensurate with the average experience of similar banks with respect to the same type of loans, preferably in the same locality. No bank is required to be guided by Mimeo No. 54-55, or by Mimeo No. 6209, which it supplements. Use of either method or any other reasonable method is optional. But where a bank has been on the specific charge-off method of accounting for bad debts and desires to change to the method just described, application to make such change must be made to the Commissioner at least 30 days before the close of the taxable year for which the change is to be effective. However, a bank already having permission to use and using the reserve method may switch to the above alternative formula without special permission.

An example or two will show how the formulas work. Bank A with loans outstanding at the end of 1957 of \$1,000,000 and a 20-year average loss ratio of 1% has at the beginning of 1957 a bad-debt reserve of \$20,000 and during the year charges to that reserve bad debts totaling \$1,000. The bank's ceiling factor being three times its loss ratio over the 20 years, it may have at the

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### ***Business Expenses***

**T**HIS statement has been issued by Commissioner of Internal Revenue Russell C. Harrington:

"Taxpayers will not be required to answer line 6(a) of the 1957 individual income tax return Form 1040, and, thus, employees will treat travel, reimbursed expenses, etc., for 1957 as they have in the past. All Internal Revenue district offices are being so informed.

"This action is taken because the decision to include a new line in the 1957 income tax return Form 1040 was not made public until 10 months of the tax year had passed, and hence had a retroactive effect. Taxpayers have emphasized to the Service that most employees who receive reimbursements for expenses file bills and receipts with their employers and do not retain copies. To attempt now to secure data would place too great a burden on many taxpayers.

"This decision does not change the long-standing rules which the Revenue Service has been following with respect to substantiation of deductions when a taxpayer's return is audited.

"For the year 1958, all individual taxpayers who incur expenses in connection with their employment should keep adequate records of their expenditures and reimbursements so that for 1958 and later years they will be in a position to supply expense account information from their own personal records."



# The Profession of Banking

LESLIE WALLER

**M**ORE and more, this country of ours is becoming a nation of specialists. Almost overnight, it seems, the great strides we've made in science, commerce, and industry have made it necessary for almost all of us to know more in order to do our job well.

The professions—once limited to medicine, the law, and similar fields—are being swelled each year not just by the addition of more people, but by new kinds of professions as well.

Perhaps this moment in your life is the ideal time to do some serious thinking about the profession of banking.

**L**ET'S be clear about one thing at the outset: The difference between any so-called "white collar" job and a profession is simply the degree of skilled training needed for success and growth.

Banking offers you some unique values, first as a career in which your growth can be unlimited and, second, as a field in which professional training at your bank's expense is common practice.

Don't confuse on-the-job training with a professional education. One is usually mandatory these days: A man must be trained so that he can tighten Bolt 32 with Wrench 4. The other is optional: A teller doesn't usually have to attend American Institute of Banking classes in systems of control—unless he wants to.

**T**HAT'S something to remember: No one at your bank is going to force you to get more training. It's all up to you.

But once you set your sights on true professional status, you'll find

a wealth of training available. It begins right in your own bank, if it's large enough to make an internal training program necessary. The kind of training offered can range from standard newcomer indoctrination talks to specialized classes for employees who want to know more.

The American Institute of Banking, through its chapters in each locality, sponsors a variety of courses the year around in specialized phases of the banking profession, taught by local instructors whose know-how comes from "on-the-line" experience.

A.I.B. is the backbone of your professional training. It offers you such a broad range of subjects that no matter where your banking career lies, a series of A.I.B. courses can give you the basic foundation you must have.

**M**ORE specialized and intensive training is to be had from periodic seminars and summer-school sessions sponsored by a number of banking organizations. The Graduate School of Banking, for example, holds such a session at Rutgers University each summer, during which you get not only the benefit of lecture and discussion classes with national experts, but you also study, play, and live with fellow bankers from all over the country whose experience and friendship are of lasting value to you.

Universities frequently hold special seminars over long weekends or during the summer. An example of this is the workshop in personnel practices for bankers held at Cornell each year. A real estate roundtable is a feature of Columbia University's school of business.

National and state organizations of banking specialists also hold periodic training sessions. The National Association of Bank Auditors and Comptrollers, for instance, regularly makes it possible for bankers in this field to learn the newest in trends and techniques. The Financial Public Relations Association's summer sessions at Northwestern University are another example of educational opportunities.

At banking conventions on the national and state levels, prominent speakers, educational displays and programs, workshops, and the like all help you extend your knowledge of the latest in your field of specialization.

**T**HIS training—much of it carrying college credit toward a degree—is readily supplemented when you read publications that report new ideas, new techniques and new happenings in the banking profession. The list of these periodicals is a long one; your professional training will soon make you familiar with all the publications of special interest to you as well as those of general interest to all bankers.

**H**ow do you go about getting such training? You need to do only two things: (1) Show by your work that you can handle more responsibility and (2) ask for it.

For top banking management makes no secret of its need for young people with ability. The future successes of banking lie in its ability to train tomorrow's executives today.

Whether you are chosen tomorrow depends almost entirely on what you do about it today.

# METHODS and IDEAS

## Faster Instalment Loan Service

WHEN a dealer phones our instalment loan department and submits an application, he knows we can give him 45-minute service. We have streamlined our system so that, instead of three writings of the application information, as formerly, we now require one. No extra sheet is needed for disbursing information, and instead of five application forms, we need only one form for all types of loans handled in the department.

The form itself has been the solution to our problems. We have adopted a 4-part set which has printed spaces for all possible facts and which makes liberal use of check boxes. Filling in the form is greatly simplified, and the 1-time carbons are so placed that we get the initial phoned-in information on all copies in just one writing.

The result has been not only faster service to dealers, but also a reduction in the clerical man-hours required to process the application. In short, we are doing a better job faster, and at a saving. Here is how:

### How It Works

When a dealer phones, the application is taken down in longhand by a clerk using a ball-point pen. The all-purpose Standard Register form fits in a metal holder, which supplies a hard surface and gives good carbons on the second, third, and fourth copies.

The application information takes up only the top portion of each sheet. After the clerk fills it in, she separates the sheets. The fourth copy goes to our credit department where it is filled in with any credit information we have on the dealer's customer. Credit re-

### EUGENE GEYER

MR. GEYER is assistant vice-president, The First National Bank, Fort Worth, Texas.

ports or other pertinent information are attached to the copy and it is returned to the instalment loan department.

On about 70% of the applications, the credit department does not have enough information for us to pass credit judgment. So, pages 2 and 3 of the form go to a clerk wearing a telephone headset who phones the local credit bureau and types on to page 2 the information she obtains. Page 3, a carbon of page 2, then goes to our credit department.

Page 2, with the credit bureau information, and page 4, with information from our credit depart-

ment, are then attached to page 1 and all go to a credit-granting officer who acts on the application.

If the loan is approved, the application is held until the dealer delivers the contract to the bank; then the application and the contract are matched and processed. All the disbursing information is filled in on the first sheet. Type and purpose of loan, dealer, and occupation of borrower are then coded in spaces provided on the first sheet.

Because even dollar signs and the diagonal lines in dates (for example: 6/9/57) are printed on the form, a minimum of writing is necessary. Also, all information and code numbers go in the same place on each application.

### Dealer's Deposit Slips

Deposit slips are then made out for the dealer, and the correct amount of the loan goes into his regular account. The snap-out forms, the contract, and deposit slips go to the departmental teller's cage where the interest calculation and addition are checked. The package is then separated and filed, the deposit slips routed for entry into the books, and carbons of the slips sent to the dealer.

A sequence number is assigned to the loan on a numerical basis; the number is inserted on Page 1. All data boxed with red lines on the form are then punched into cards.

### An Information File

After the tab room is through with the papers, they are filed in our adjustment department so that our collectors will have information on the loan at hand, in case it is delinquent.



Clerk in the instalment loan department of The First National Bank, Fort Worth, takes a loan application from a dealer. The 4-part form fits into a metal holder which prevents her marking carbons on forms under the one she's using

# Participation Loans

**I**N a talk on this subject at the Pennsylvania Bankers Association's 5th annual lending conference, Fred M. Naber, senior vice-president, Continental Illinois National Bank and Trust Company, Chicago, reported on returns from a questionnaire sent to 18 banks in 12 leading cities. The queries were designed to cover a "situation where a local borrower needed more money than the correspondent bank could lend by reason of its legal limit." Here is a summary of the answers which show, as Mr. Naber told the Pennsylvanians, that not only do the large "city banks" carry overlines, but that they also have some definite ideas about the service.

**Question 1.** Are you having an unusual demand from your correspondent banks for overline accommodations?

Ten banks (said Mr. Naber) reported a noticeable increase. The others said the demand was more or less constant with previous years. One reported: "The requests in the past two years have been higher than ever before." Another: "In view of the generally higher demand for loans throughout the country, we do not regard the demand on us as particularly unusual." Another: "The demand has been increasing gradually during the post-war period and has accelerated this past year since many smaller banks have not been able to take care of the expanding requirements of the local business concerns and in some cases have not been inclined to up their own loan limits through issuance of new capital."

**Question 2.** Does your bank object to taking overlines of a term nature?

Almost without exception, said Mr. Naber, the banks queried do not like to take these overlines; however, there can always be reasons for an exception.

Replies: "In view of present money conditions, we are reluctant to entertain propositions for term credit



At the Pennsylvania Bankers Association's lending conference, John D. Heckman, president, City Bank & Trust Co., Reading, second from right, greets speakers as conference chairman. Pictured are Fred M. Naber, senior vice-president, Continental Illinois National Bank & Trust Co., Chicago; Carl A. Bimson, president, Valley National Bank, Phoenix, Ariz., and chairman A.B.A. Instalment Credit Commission; Albert Johnson, president of PBA and vice-president and treasurer, Hamlin Bank & Trust Co., Smethport (at the far right)

either directly from our own customers or through correspondent banks." "Our policy has been to take overlines or participations of any nature from our correspondent banks, but we try to avoid as much as possible term lending." "Inasmuch as term loans are generally associated with large companies, we try to follow the policy of restricting credit to those where direct balances are maintained with us."

These replies fairly well represent Continental Illinois' position, although "if the amount needed appears to be large enough, we suggest that the borrower first try the institutional field, such as insurance companies, endowment or trust funds, fraternal orders, or a public offering."

**Question 3.** Is there any type of loan in which your bank would not extend an overline?

Evidently there are some taboos: "We are not rediscounting consumer instalment paper." "We do not want any more mortgage warehousing arrangements." "We do not want any loan involving real estate."

"I would say," Mr. Naber asserted, "that the majority of banks, like

ourselves, would make any type of loan if a similar type were being made currently to their own customers. I liked this answer from one bank: 'If the local bank is forced by a prominent customer to make what we consider an unwise loan, we will not compound the error by taking an overline.'"

**Question 4.** In what ratio balances would you accept paper if asked to carry one or more overlines?

There seems to be no fixed policy. The length of a correspondent's relationship, size of balances carried, seasonal nature of each credit, and frequency of requests would all be factors. Replies: "We try to exclude from correspondent balances that portion necessary to carry the cost of the activity and use only excess balances to support overlines of a seasonal nature." "We have not accepted loans in excess of the total of a correspondent bank's own balances."

**Question 5.** How many times would your bank be disposed to carry overlines of the same borrower before expecting to establish a direct relationship with you?

Replies: "Generally we would accept overlines from the same borrower for two or three years before we would consider requesting a direct account relationship." "No set number of times, but we do feel that the local bank should assist us in obtaining a direct relationship if the borrower has permanently outgrown the lending limit of his local bank." "After carrying the same overline for several years, we would suggest that the correspondent place it elsewhere if it had not seen fit to recommend a direct relationship with us."

The city banks are willing to help their correspondents protect balances from their own customers; but, said Mr. Naber, "there also seemed to be an awareness that a company needing more credit than can be supplied by its local bank is either prey to another bank in town or another in the same area, so why shouldn't the company consider a direct relationship with the city bank where its excess credit has been obtained for several years?" Furthermore, the local bank might be assuming an undue responsibility for the credit needs of a business which should establish its own credit. City banks believe their credit facilities should be used to supplement, not replace, local credit. If a local borrower has to go outside for additional credit, it would be almost necessary that he have the support of his local banks. Continental's position: "If the credit isn't good enough for the home folks, it isn't good enough for us."

**Question 6.** Are you reluctant to ask a correspondent bank officer for all the information you'd need if you were negotiating the loan direct, or would you depend to a large extent upon the known lending capacity of the bank officer submitting the loan?

The replies indicated, without exception, no reluctance on the part of the city bank to request all information desired.

**Question 7.** In the light of the Comptroller's recent opinion regarding "LIFO" (Last In, First Out) arrangements with correspondent banks, would you still prefer that the selling bank take its full share of the credit before offering an

## TOMORROW'S ELECTRONIC BANK



A major part of the electronic bank deposit accounting equipment shown to the press in "an interim progress report"

**A**N interim report on the development of an electronic bank deposit system was made to the press recently by International Business Machines Corporation. At its product development laboratory in Poughkeepsie, N.Y., the company demonstrated high speed experimental equipment that automatically processed intermixed checks.

The machines read paper checks for sorting, posted them to an electronic ledger, and automatically prepared customers' statements from the checks. Complete proving, sorting, listing, and totaling were accomplished with a single recording of the check amount.

Company officials emphasized that the equipment demonstrated will not be marketed. It reads a magnetic code on the top of the check, whereas the

market version will incorporate Arabic magnetic characters on the bottom edge, as recommended by the Technical Subcommittee of the A.B.A.'s Bank Management Commission. The equipment shown to reporters is being operated as a test, and to gain systems experience.

The system demonstrated a high-speed computer and a 6,000,000-digit disk memory unit with two new machines designed to handle magnetic ink identification on paper checks. The new machines include an inscribing unit which places identification and amounts on checks in magnetic ink (recommended by the A.B.A.) and a unit for sorting checks into desired sequence and for reading them into the data processing system.

overline participation to you, and would you prefer, in turn, that your part be liquidated first?

Some of the replies supporting the general position of the city bank that last-in and first-out is still a most satisfactory relationship: "The LIFO arrangement seemed to best meet our desires to handle local loans only to the extent that they are beyond the capacity of the local bank." "LIFO is not designed to place an additional risk upon the correspondent bank as much as it is to reduce the use of our own funds to noncustomers."

Continental Illinois: "A bank with a legal limit of \$100,000 could have one or more customers needing credit accommodations for \$200,000 to \$250,000. Since we should not require the selling bank to subordinate its position to us for this over-

age accommodation when the instrument of a participation certificate is employed, we plan now to ask the selling bank to send us one of the notes of its customer with a maturity earlier than the other notes in its portfolio. We fully realize that the selling bank might be somewhat jealous of its customer's business and therefore suggest that the note be accompanied by a letter of memorandum on which the selling bank's endorsement 'without recourse' is entered and further followed by this legend:

"The above endorsement is intended to be an endorsement of the within note of John Jones Company in the amount of \$50,000, dated Nov. 14, 19—, for all purposes except recourse."

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# The Director and the Investment Program

*With the Primary Consideration Safety, He Must Provide for Liquidity and Income Needs*

T. ALLEN GLENN, JR.

*This is the second of four articles (the first was in November BANKING) on the bank director's job. The author, who is president of The Peoples National Bank of Norristown, Pa., has based this series on his observations as chairman of the Pennsylvania Bankers Association's annual Bank Directors' Seminar. Mr. Glenn has been active in the affairs not only of his state's bankers association but also of the American Bankers Association.*

**I**N the article regarding the ethical aspects of the bank director's job, it was pointed out that one of the bank director's responsibilities is to adopt policies covering the various phases of the Bank's operations and functions. Another aspect of the ethical responsibilities of the bank director has to do with the investment of the funds that the bank has at its disposal.

This particular responsibility of investing the bank's funds is one whose details will occupy the major portion of the time that the individual director, or the board of directors as a whole, will devote to the bank's service. As is the case in determining policies covering the bank's operations and functions, consideration must be given to the interests of the three groups of persons to whom the directors are responsible—the shareholders, the depositors, and the supervisory authorities. Each group has an interest in the effectiveness of the investment program. The shareholder

looks for income as well as stability and growth of his investment dollar. The depositor requires safety and liquidity for his deposits. The supervisory authority requires safety in the investment program as well as the compliance with all laws and regulations covering the investment of the bank's funds.

The over-all objective of the investment program of the bank is, of course, to maintain a high degree of safety for the depositors' and the shareholders' funds. At the same time, the program must be such that it will provide the liquidity needed in view of the nature of the bank's liabilities. However, the program must be such that it will produce

adequate income to meet the various requirements of the bank. Like other responsibilities of the directors, this particular one is not easy to fulfill.

As to maintaining a high degree of safety, one might say off-hand that the easy way to do this is to invest only in high grade bonds—perhaps only in United States Government bonds. However, market fluctuations, which inevitably occur, can prove that such a course of action is not always a safe procedure as far as meeting immediate liquidity requirements is concerned. On the other hand, investment in various types of loans to the exclusion of any bond portfolio also might

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At the Pennsylvania Bankers Association Directors' Seminar of 1956, Melville M. Parker (third from left), executive vice-president and a director of The First National Bank of Lebanon, with other directors of his bank, discusses blackboard notes with faculty members David H. McKinley (left) of Penn State and William B. Hall (second from left) of The Detroit Bank. Mr. Parker is now chairman of the Public Relations Council of the American Bankers Association



# Bank Training Programs Vary Greatly

*On these two pages are printed several more bank training programs briefly summarized. BANKING asked for this material and presents it as it was received from the officers in each bank who are directly concerned with this problem today. Five such summaries appeared last month and more will follow in future issues of BANKING*

## *American Trust Company San Francisco, Calif.*

**W**E use two completely divergent methods to get the people we want.

We have established within the American Trust Company a management development program which is available to students possessing a graduate degree from an accredited college and to those individuals on our staff who have shown an ability to progress far beyond present positions. This management development program is an on-the-job training program, controlled by periods of time.

These periods were developed through a survey which told us how long it would take an average individual with either a college background or previous banking experience to learn to cope with the problems that might arise in the handling of the daily routine of the various functions of banking. We cite, for example: six months in banking operations, three months in auditing, six months in real estate loans, six months in monthly payment or instalment collection loans, and a minimum of nine to 15 months in commercial loans.

At first this appears to be quite

a lengthy program, and yet when properly administered, it has proved quite successful. Here in California, particularly in the area surrounding the San Francisco Bay, when word was passed around that our bank had embarked upon such an ambitious program, we found the college students coming to us seeking more information. What proved even more pleasing, the college professors in the fields of finance and investment began recommending to their classes this program as a transition between theoretical scholastic life and the basic business life to which they must become accustomed.

To this was added a formal program of calling on the colleges, reviewing our policy with the placement directors, and in some instances doing on-campus recruiting. This latter program was instituted primarily to assure us that we were not only interviewing in quantity but also that we were necessarily seeing the quality students as well.

As a mark of success we feel pleased that since January 1, 1954, we have employed approximately 60 men who had attained either a bachelor's degree or a master's degree from college. Of these 60 men, we have lost six. In addition to these 60 men, however, we have also selected from our own staff approximately 50 men for this additional training, and, of these 50 men, three have left us to enter other fields. Our records indicate that, of the

nine men who have left the bank in these four years, only one has continued in the field of banking and that was in the State of New York.

We are at present in the process of developing a brochure to be distributed to the 10 major colleges in this area.

## *First American National Bank Nashville, Tenn.*

**W**E have briefed colleges and universities in middle Tennessee about the future of young men entering the banking profession and how we normally train them.

We obtain some applications from this source and from friends of the young men already working here, together, of course, with a few that just drop in and apply.

Usually we will place a young college graduate in one of our branches, since he can learn the different steps more rapidly than in the main office. He is given practically every assignment performed in a branch, with the exception of making loans and doing other managerial duties. He, along with all of the rest of our staff members, is rated twice each year, after which salary adjustments are made when deserved. Increases

as well as promotions are on strictly a merit basis. When an opening occurs we endeavor to select the young man who is best equipped and most deserving for such a post.

We encourage all of our people to take A.I.B. classes, for which we pay the cost of tuition and textbooks. Those earning a Prestandard Certificate are given a \$10 per month increase, and those earning a Standard Certificate are given a \$25 per month increase in addition to any other increase that they may deserve.

*The National Bank  
and Trust Company  
of South Bend  
South Bend, Ind.*

THE following procedure is employed by our personnel department in the initial contact with the person seeking employment. The applicant is interviewed at some length, during which time the interviewing officer tries to determine from the conversation something of his background, including education, experience, character and personality. If the conclusions are unfavorable, the applicant is dismissed, and if not and there appears to be a potential entitled to encouragement, he is given a complete description of the essential features of the position in which he is to be placed. If there appears to be an interest manifested by the applicant, and the interviewing officer is satisfied as to the possibilities of development, a written application is completed.

Thereupon the applicant is subjected to the three tests recommended by the American Bankers Association on forms provided by the Psychological Corporation of New York City. If the applicant achieves reasonably good grades, he or she is then informed that consideration will be given, and permission is asked to proceed with the bank's independent investigation.

This investigation is done by contacting all references furnished and preparing a complete and independent personnel report in our local credit bureau, based on an outside and independent investigation.

Young men who are employed are immediately placed on a training program. They are enrolled in one of the basic courses of the A.I.B., and, in addition, the bank's on-the-job training includes such basic activity as proof, bookkeeping departments, teller trainee window, receiving teller, paying teller, collection teller, commercial loan teller, installment loan teller, savings, mortgage loan and trust departments. This training program extends over a period of approximately 10 years.

The personnel files of new employees are reviewed every 90 days. The supervising head of each division is required to prepare a written report of the employee's progress, his application to duties, the rapidity with which he acquires knowledge of the job, and his willingness to assume responsibility.

The first six months of employment is a probation period, and, if at the end of this time little progress is shown, an amicable separation is effected. On the other hand, if steady improvement is noted, the employee is encouraged and rewarded through improvement of compensation and encouragement through the supervisor of his division.

*The First National  
Bank & Trust Company  
Macon, Ga.*

WE do not require everyone to take the A.I.B. courses, but do impress on our employees every year that if they expect to succeed in banking it is almost a must that they take these courses.

We have sent eight of our 16 active officers to G.S.B. at Rutgers.

The president, vice-president in general charge of operation, and the cashier from time to time discuss key personnel and periodically decide where they can best serve.

The president is in general charge of credits, as well as operations, and has for many years spent much time with the principal lending officers in trying to see that they are given all the training they will take.

We never hire any employee without giving him tests which are recommended by the A.B.A.

*The National Bank  
of Detroit  
Detroit, Mich.*

GREAT emphasis is placed upon obtaining high caliber men to fill our future management needs.

First, let me list the sources, in order of their effectiveness, from which we obtain those employees with management potential.

- (1) Campus recruiting
- (2) Newspaper advertising
- (3) Officer and employee referrals
- (4) Agency referrals

There are four general areas for which we recruit college trained men.

- (1) Credit trainees
- (2) Trust trainees
- (3) Investment trainees
- (4) Management trainees

Men considered to be potential executive material are very definitely developed through an in-the-bank training program at National Bank of Detroit. We use most of the techniques indicated below, either individually or in combinations.

- (1) On-the-job training
- (2) Classroom instruction
- (3) Job rotation
- (4) Conferences
- (5) Role playing
- (6) Sponsorship

Our training programs extend from a year and a half to three years before the trainee is firmly established in his first permanent management placement.

In addition, we have a formal management development program for appraising management performance and evaluating management potential. It includes four major phases:

- (1) Performance appraisal of management personnel (evaluation of job performance).
- (2) Review of appraisals by a committee of higher management (to provide top management control).
- (3) Post-appraisal interview (manager and appraisee discuss appraisal).
- (4) Development (the agreed-upon development plan put into action).

# The Banks' Opportunity in the Highway Program

CHARLES E. HARMON

*The author is vice-president of the Northwestern National Bank of Minneapolis. He emphasizes that the views expressed here are his own and not necessarily those of his bank.*

THE present Federal interstate highway program became a reality with an act of Congress in June 1956. Since it will require approximately 16 years to complete, it is still in infancy.

Some disappointments are already registered. Impatience is noted in some circles. Delays are the source of a frustration complex. Criticism is voiced at the slowness of the program and beamed in all directions simultaneously. Banks are not exempt from some of this sentiment.

The present slow tempo of the program itself furnishes an opportunity for banking to consider its position, contemplate future fiscal requirements, get organized as to policy, and set up trained personnel to handle the volume of financing that is unmistakably just ahead. Above all, banks should publicly avow their willingness and ability to cooperate in the necessary financing at the manufacturer, road contractor, and dealer levels.

## Peak in 1959-1960

It is a certainty this program is going to move forward with rapidly increasing momentum. Many believe it will reach a dollar amount peak in 1959-1960.

It is equally clear there will be a greatly increased public sentiment in favor of the Federal interstate highway system as it becomes a visual reality in the form of new highways for family use—not only new highways but wider, hence safer, highways. The public will quickly awaken to the fact that the new highway

system will reach and cross every state in the nation. Highway travel for business purposes will increase, but for family travel purposes it will multiply.

We believe there is more cause for satisfaction than justification for criticism. We can well afford to keep in mind that the program is very new and could not yet be expected to have reached its maximum.

Bertram D. Tallamy, Federal Highway Administrator, reported recently to Commerce Secretary Sinclair Weeks, "We have progressed at a gratifying rate and we are on schedule."

## Projects Number 561

A total of 561 projects for the Federal interstate highway system have been engineered; bids have been called for and contracts have been awarded to the successful bidders. These contracts cover construction of 1,532 miles of safe and modern highways. This is only the beginning.

Simultaneously, contracts were

Charles E. Harmon



awarded for work on 24,000 miles of primary and secondary roads, in the Federal aid program, entirely apart from the Federal interstate highway program.

The Bureau of Public Roads had set a goal of \$2.25-billion for fiscal 1957, for surveys and plans, acquisition of right-of-way, and construction. Of this budget, actual obligations total \$2,223,000,000, very close to the projected goal of \$2,225,000,000 for that fiscal period.

## All Types of Roads

It is interesting to observe further that of this amount \$1,383,000,000 was committed to the Federal interstate system and \$840,000,000 to primary, urban, and secondary roads. In other words, all types of our highways are being constructed or improved, rather than only one. In turn, all citizens throughout the country are being benefited, irrespective of whether they reside on farms or in towns.

The Federal Aid Highway Act of 1956 stipulates that the program can move only as rapidly as trust fund receipts, as estimated by the Secretary of the Treasury, will provide for payment of contracts to be awarded. The highway trust fund monies are derived from excise taxes on gasoline, tires, trucks, and other highway user levies.

Many do not realize that when the 16-year program now under way has been completed, almost as much money will have been spent on primary and secondary roads as on the Federal interstate highway system. It appears we are truly launched on a road building program that will benefit all areas, all communities, and all the people.

In this greatest road building program in the world's history, banking



services are a necessity. There will be heavy requirements for open lines. Term loans will increase in number and size as banks' contractor-customers become successful bidders and seek loans secured by presently owned equipment.

Such fundamentals as terms and rates should receive clear analysis and decisive conclusions now. They should be made a matter of policy for the immediate future, subject to change with future developments of the next few years.

The lapse of time between authorizing new highway construction and paying out funds on the final estimate can well extend through years. It cannot be a swift process because of the numerous deliberate procedures involved. Chief of these is the engineering work necessary before contracts are awarded. The engineering shortage in most states is acknowledged. It is one of the unfortunate bottlenecks. No over-all solution seems probable, but already certain new procedures have been introduced which are real time-savers. Among these are use of electronic digital computers and aerial photography.

### Much Equipment Needed

It has been estimated that 35,000 pieces of additional equipment for each \$1-billion of net contract construction will be required. Another authority estimates that the road building equipment to be financed in 1958, 1959, and 1960 will exceed that financed in the 25-year period ending in 1956.

The manufacturers of road building equipment, the road construction industry, and that segment of the public now aware of the magnitude of the highway program just ahead are all wondering as to the attitude and ability of banks to finance the contractors and equipment. There is some doubt.

It should be observed that several major manufacturers of road building machinery have either recently created finance company subsidiaries or reactivated those formerly in existence for handling time sales contracts and rental agreements. They are already in action. Some of these companies have taken this step because they couldn't afford delays while banks might be getting organized to handle the business. They are firm in their statements that they much prefer that banks do the

financing, through dealers or direct, and are hopeful that the banks will.

Another factor to recognize is the obvious alertness of some major and regional finance companies. They are most active in their solicitation of this banking business. They are opening new offices in some areas to concentrate on it. It is reported some of them have offered to purchase certain bank portfolios of this type of paper in order to insure the future time sales paper from the particular dealer who originated it. There are many reports of their willingness to finance this paper on a nonrecourse basis because of its desirability.

### Government Financing?

Many references are made to the effect that the Government will be requested to set up a new agency to handle the financing of road machinery and to make loans to road construction contractors direct if the banks are unwilling to do so.

The financing of distributors' and dealers' inventories is just as eligible for prompt consideration by banks at this time as any other

phase of banking assistance to the Federal road program. Price per unit has increased steadily as raw material and manufacturing costs have increased. Larger inventories in number of units on hand are to be expected. Larger stocks of parts are mandatory to escape the expense of "down time" and retain the goodwill of the contractor-customers. In this connection, as bankers, we should remember that idle equipment awaiting repairs is unproductive equipment as far as earnings and debt paying ability are concerned.

From any information within our experience, the financing of road building machinery, either on a direct or an indirect basis, is satisfactory. As an industry, we believe the dealer-distributors and the contractors are outstanding with respect to their obligations.

The challenge is directed at us as bankers. Our problems currently involve already heavy commitments to other industries, shortage of lendable funds, inadequate loan limits in

(CONTINUED ON PAGE 130)

### Bankers in the Program

The American Road Builders Association *Newsletter* reported recently that ARBA's New Banking and Financing Division had been organized. Its board of directors, under Division President Fred F. Florence (chairman, executive committee, Republic National Bank of Dallas), met in Washington, D. C., in mid-November, to examine the status and financing of the National Highway Program and develop policy for the division's activities. Representatives of Federal agencies met with the bankers. The directors are: *Commercial Bankers*—Mr. Florence; Keehn W. Berry, president, Whitney National Bank, New Orleans; Alan K. Browne, vice-president, Bank of America, San Francisco; J. P. Dreibelbis, senior vice-president, Bankers Trust Company, New York City; Thomas W. Evans, vice-president, Continental Illinois National Bank & Trust Company, Chicago; Robert V. Fleming, chairman of the board, The Riggs National Bank, Washington, D. C.; Mervin B. France, president, Society for Savings, Cleveland; William F. Keesler, senior vice-president, First National Bank, Boston; James M. Kemper, chairman of the board, Commerce Trust Company, Kansas City, Mo.; Gordon Murray, president, First National Bank, Minneapolis; Chester A. Rude, vice-chairman of board, Security-First National Bank, Los Angeles; and Howard C. Peterson, president, Fidelity Philadelphia Trust Company, Philadelphia. *Investment Bankers*—C. Cheever Hardwick, partner, Smith, Barney & Co. (Division Vice-President); Harry Beecroft, partner, Beecroft, Cole & Co., Topeka; Noble L. Biddinger, executive vice-president, City Securities Corp., Indianapolis; William F. Morgan, Blyth & Co., New York City; Dennis E. Murphy, vice-president, The Ohio Company, Columbus; Donald L. Pettis, vice-president, Kirkpatrick-Pettis Co., Omaha National Bank Bldg., Omaha; and Robert S. Weeks, Jr., F. S. Moseley & Co., Boston.

# Tax Consequences of Burdening a Trust with Payment of Gift Tax

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*The author, who is professor of law at the University of Colorado and a frequent contributor to BANKING, wrote last month on "Partial Disclaimers and the Marital Deduction."*

PROF. BOWE has recently been appointed estate planning consultant and tax adviser to the trust department of the National State Bank of Boulder, Colo.

Upon graduation from Fordham College in 1929 and the Harvard Law School (1933), PROF. BOWE specialized in estate planning and taxation with Leslie, Holt, Halstead and Frost of New York City from 1933 to 1942. He was a captain in the Judge Advocate General's Department, U. S. Army, from 1943-46 and assistant secretary and lecturer at the Harvard Law School from 1946 to 1948. From 1948 to 1956, he was professor of law at Vanderbilt University, Nashville, Tenn. He is a member of the Bars of New York, Massachusetts, Tennessee, and Colorado, a member of the American Law Institute and the American Bar Association, and past chairman of the Committee on Draftsmanship of Wills and Trusts, Probate Section of the American Bar.

PROF. BOWE is the author of *Tax Planning for Estates*, now in its third edition, *Life Insurance and Estate Tax Planning*, now in its second edition, and *Income Tax Treatment of Life Insurance Proceeds*. His *Estate Planning and Taxation*, a 2-volume treatise, has just been published.

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*There are several tax risks which, in some cases, may make it undesirable for a donor to thrust the burden of the gift tax on property given to his donee*

FREQUENTLY a donor will insist that his donee be responsible for any gift tax incurred in a transfer, believing that this shifting of the burden somehow represents a real accomplishment. While the plan has a surface appeal, in many situations a number of unnecessary risks may be assumed.

Where property is transferred in trust there are a number of ways in which the tax liability may be shifted to the trust property. First the donor may borrow the amount of the tax on the security of the property to be given, and then either transfer it subject to the debt or require the trustee to assume the debt. Other ways are to transfer the property to the trustee on condition that he pay the tax or in consideration of his promise to do so. Whatever method is used, the amount of the taxable gift (and hence the tax) is reduced by the amount of the gift tax liability. Herein lies the apparent attractiveness of the plan. Assume a donor who, because of prior gifts, is in an average 20% gift tax bracket. He transfers property, having a value of \$100,000, in trust for his children, subject to the gift tax burden. The gift tax will be about \$16,700 instead of \$20,000, since the value of the gift is about \$83,300. But, in fact, the tax is less, simply because less property has been removed from the estate of the donor. He has depleted his estate by \$100,-

000 rather than by \$120,000, which would be the result if he both gave away the property and paid the tax.

## Property Transferred Subject to Loan

Assume our donor borrows \$17,000 on the security of the property worth \$100,000 and then transfers it to a trust which takes *subject* to the debt. He uses the \$17,000 to pay the gift tax. The trustee repays the loan over the following four years out of income. It seems likely that the income used to discharge the obligation of the donor will be taxable to him, since it is being applied for his benefit. It is elementary that a grantor cannot avoid income tax on the income from trust property used to pay his indebtedness. Further, suppose our donor dies before the loan is fully discharged. Isn't there a real risk that he will be held to have reserved the income from the property for a period "which did not in fact end before his death" and consequently cause the inclusion of the property in his tax estate under the reserved life estate section of the code? Hence his objectives of both shifting the income tax and

WILLIAM J. BOWE

avoiding the estate tax may be defeated.

### Assumption of Loan by Trustee

Suppose instead of transferring the property subject to the loan the trustee *assumes and agrees* to pay the debt. Such an agreement by the trustee would seem to be a bargain purchase—a part gift, part sale transaction. Here the risks of later income being taxed to the donor are eliminated, but at the cost of having entered into an immediate income tax transaction. Suppose his cost basis for the asset was \$10,000 and the debt assumed was \$17,000. Would not the donor have realized, by having the trustee assume his liability, a \$7,000 capital gain? In many cases this may not be a deterrent, since his cost basis may exceed rather than be less than the amount of the loan. If, for example, it were \$35,000, he would have a loss rather than a gain on the transfer. The loss, however, would not be recognized because of the section disallowing losses on sales to related taxpayers.<sup>1</sup> The trustee would retain the \$35,000 basis in the event of a later sale at a sum in excess of \$35,000. Hence in this limited situation the assumption of the debt by the trustee may not have any adverse tax consequences.

### Transfer on Condition Gift Tax Be Paid

Here the donor transfers the property free and clear but requires as a condition of the transfer that the trustee discharge the tax liability. The trustee, rather than the donor, borrows the \$17,000. What, if any, are the tax consequences to the donor when the trustee pays the tax? It is a general principle of tax law that where one, in a non-gift transaction, discharges the debt of another (in this case the donor's tax obligation) the benefited debtor has taxable income to the extent that he has been relieved of his liability. Here the amount of discharge-of-indebtedness income ought to be only the excess over the donor's cost basis in the property.

An example may both illustrate the reason for the rule and make the extent of its application clear. Suppose Jones owns Blackacre, cost \$20,000, current value \$100,000. He

borrows \$70,000 on the security of Blackacre. At this point he clearly has no income. He then transfers the property subject to the debt to a charitable organization. At this point he has no income. But does he not have income when the charity discharges the mortgage? And, unfortunately, is it not ordinary income, rather than capital gain, since it is not the result of a sale or exchange? It seems perfectly clear, however, that the amount of income is \$50,000, not \$70,000. So in the problem under discussion when the trustee discharges the tax obligation of the donor, the donor would seem to have ordinary income in whatever amount the gift tax exceeds his cost. Hence adverse tax consequences will follow only in cases where the cost basis is less than the obligation discharged.

### Transfer in Consideration of Trustee's Promise to Pay Tax

Here the trustee expressly promises to pay the tax rather than obtain the property on the condition that he pay. The legal difference is that taking on condition is like taking "subject to." There is no obligation to pay, simply a forfeiture if the condition is not fulfilled. In the situation under discussion this may, from a practical standpoint, seem to be a distinction without a difference. The method adopted, however, may have quite different tax results. If the trustee agrees to assume the payment of the tax, we again have an immediate sale at a bargain price. Hence the gain, if any, will be taxable at capital gains rates rather than as ordinary

income. If the donor's cost basis exceeds the tax there will be a nonrecognized loss.

### Conclusion

(1) No actual tax reduction is achieved by putting the burden on the donated property. In the example used in the text a gift of \$83,000 and a tax of \$17,000 deplete the donor estate by \$100,000. If \$100,000 is transferred to the trust and the tax is borne by the trust, the tax is again \$17,000, and the beneficiary is benefited to the extent of \$83,000.

(2) Where the donor borrows the tax money on the security of the property and then transfers it to the trust, subject to the debt, income used to pay off the obligation may be taxable to the donor, and there may be a risk that if he dies before the debt is fully discharged the property will be included in his estate.

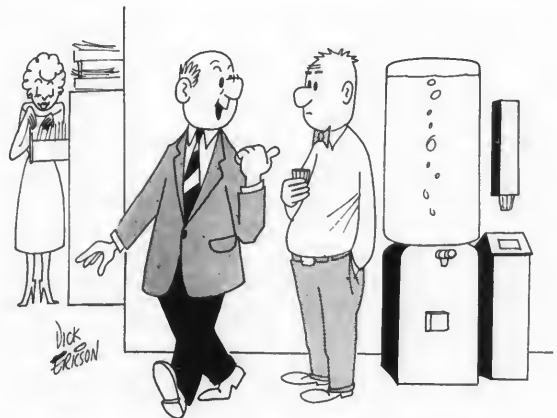
(3) Where, instead of transferring the property subject to the debt, the trustee assumes and agrees to pay, there will be an immediate capital gains tax if the debt exceeds the donor's cost basis.

(4) If the trustee takes the property on condition that he pay the tax, the donor may realize ordinary income upon the discharge of his indebtedness, but only to the extent that the tax exceeds his cost basis.

(5) By having the trustee agree to pay the tax, the gain in (4), if any, may be converted from ordinary income to capital gain.

<sup>1</sup> I.R.C. See 267.

"I'll do better than a raise, Davis. I'll give you a piece of the business. The upper third of the water cooler is now yours!"



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# Some Further Insurance Pointers for Banks

HERBERT BRATTER

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*This is the 12th article in BANKING'S series on bank insurance, written in Washington by HERBERT BRATTER. The series will be completed with the publication of one more.*

PRECEDING articles of this series dealing with bankers blanket bonds, forgery risks, fire and casualty coverage, customer insurance, and other topics have far from exhausted the subject. In the present article we take up a few additional and, among them, sometimes overlooked points and policies in the field of bank insurance. Some of the risks surrounding banking operations are of less importance than others, it goes without saying. Yet even a loss which *per se* may be trivial, if uninsured may, in some cases, involve troublesome, time-consuming and expensive litigation, with incidental adverse effects on a bank's public relations. For fuller information on the many insurable risks inherent in banking, readers are urged to consult the A.B.A.'s *Digest of Bank Insurance*. That loose-leaf reference book is revised from time to time as need arises.

## Extra Securities Coverage

Banks having blanket bonds Forms 2, 24, or HANC (1955) and holding exceptionally large amounts of securities for others may get extra coverage through Bankers Blanket Bonds 3 and 4B. Another form, Excess Securities Coverage for Banks, covers securities owned by the bank as well as other securities while on the premises; but only against destruction, disappearance, or wrongful abstraction by others than employees.

Form 4B protects securities deposited with another bank, whether or not owned by the insured, but not

including securities pledged as loan collateral. A less expensive insurance is available in the Securities Insurance Policy (Deposited for Safekeeping with Bank or Trust Company). It covers all loss of securities while in the custody of depositories, with certain exceptions. This policy insures as excess only.

Since Form 2 does not cover securities deposited with public officials, two special forms are available to give that coverage.

## Safe Deposit Risks

The small rental fee a bank receives for safe deposit services is quite out of proportion to the risks a bank assumes. The risks, which may arise from dishonesty, burglary, mysterious disappearance, and other causes, including damage by flood and fire, are limited only by the bank's total assets. Insurance to protect banks and lessees is available. For banks there are the Combination Safe Depository Policy and Lloyd's HAN Form 1949 Safe Deposit Box Policy (Bankers' Liability). Two lessees' policies are obtainable. Ordinary bank burglary and robbery policies do not protect the contents of safe deposit boxes, and bankers blanket bonds Forms 2, 24, and HANC (1955) do not suffice fully to cover safe-deposit liability.

A new and broader form of fidelity coverage on mortgage servicing contractors became available to financial institutions in 1956 in the shape of a rider to blanket bond forms 5, 22, and 24. It embodies recommendations of the A.B.A.'s Insurance and Protective Committee. These features include:

- (1) coverage on a discovery basis
- (2) coverage of failure to deliver Government bonds and failure to pay money collected
- (3) amendment of the nuclear ex-

clusion to conform to corresponding provisions elsewhere in the blanket bond

(4) coverage of servicers of home modernization loans.

A minimum blanket coverage of \$10,000 is provided in the rider on all servicing contractors, including managers of real property owned, supervised, or controlled by the insured. The latter may, however, exclude from coverage and premium computation named banks, industry service organizations, and certain others acting as contractors, for whom coverage is deemed unnecessary. Conversely, the insured may buy specific excess indemnity coverage above the blanket amount for named contractors.

The initial premium is based upon the number of servicing contractors then covered and is subject to pro rata adjustment based upon the number covered at each anniversary date of the bond. The rider may be written for three years at 2½ times the annual premium. It is designed to be attached only to blanket bonds written on a discovery basis.

## Errors, Omissions

Some banks use errors and omissions insurance in connection with mortgages held in trusts, estates, and other accounts to protect themselves when, through errors or omissions, fire or extended coverage insurance on mortgaged property is invalid, insufficient, or nonexistent. An improved form of errors and omissions insurance, made available to banks in 1957, also covers any liability of the mortgagee for failure to renew through error or accidental omission a policy insuring against all perils customarily insured by the mortgagor, such as those in homeowners policies.

(CONTINUED ON PAGE 136)

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### *about Mobile Homes*

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Volume in the sale of Mobile Homes reached an all time high in 1956 of 120,000 units. This represented a half billion in dollar volume. The Industry anticipates unparalleled growth.

The average Mobile Home family earns about \$1,300 more annually than the national average.

The loss record: 97% of reporting Banks list no losses; 1½% of reporting Banks list 1/10th of 1% in losses; and the other 1½% list over 1/10th of 1% as losses.

### *Safety in Financing Mobile Home Paper*

The collateral is a man's home.

The Dealer enters into a Repurchase Agreement with the Bank.

The Purchaser's Promissory Note and Conditional Sales Contract are submitted to the Bank.

The Bank reserves 3% to 5% on each transaction.

A stream-lined Insurance Policy held by the Bank makes available comprehensive insurance protection.

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# GOVERNMENT BONDS

*Rediscount Rate Lowered . . . Effect on Bond Market . . . Success of Treasury Financing . . . "Joyriders" Limited . . . Open Market Committee Supplies Funds . . . Cost of Treasury Bills Drops . . . Bank Loans Fail to Rise*

MURRAY OLYPHANT

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THE closing months of the year supplied no evidence that the business letdown had run its course. On the contrary, the demand for credit slackened contra-seasonally and there was little sign of any substantial pickup for the year-end holiday season.

Now, of course, the market has to get over the yearend credit hump, but how much hump will there be? Perhaps not much if the OMC is liberal with its help. Thereafter, money in circulation will flow back to the banks, seasonal loans will be paid off and the OMC will be able to sell some of its bill purchases back to the market to mop up surplus credit.

The market is fully expected to firm up again after the yearend. That is, unless business volume turns for the better much earlier than now expected. It would seem that higher prices and lower yields are not only possible but probable.

Clearly business has been filling its backlog of orders from inventory and not replacing the latter. The number of unemployed was increasing. The steel industry was operating at less than 70% of capacity and shortening its work week. Some concern was felt over the failure of the 1958 automobile models to meet an enthusiastic reception.

Prices had ceased to rise, so that the cost of living index showed a small decline.

All this was a continuation of the previously evident tendency of business volume to slip off and a confirmation of the growing belief that, for the present, inflation has ceased to be a threat.

In consequence, some action by the monetary authorities to ease credit conditions was expected, especially as the Government market had continued to show strength from week to week.

Action was taken after the mar-

ket closed on Thursday, November 14, but the nature of the action was a surprise. Led by the New York Federal Reserve Bank, four of the regional Reserve banks reduced the rediscount rate from 3½% to 3%. The other eight banks took similar action in due course.

Actually, reducing the rediscount rate did not add one thin dime to the money supply. True, it made it a little less expensive for the member banks to borrow from the Federal Reserve discount window, but these banks had for some time been showing a shrinkage in loans and, therefore, a lessened need to borrow. To add to the money supply, reserve requirements would have had to be reduced or heavy bill purchases from the market made by the Open Market Committee. Early in November the OMC had taken on a few more repurchase agreements but not more than had been done earlier.

Nevertheless, the action taken was pretty generally interpreted as indicating that the monetary authorities were now really ready to alter their previous restrictive policies, that the OMC could be expected to see to it that ample funds would be available for any year-end requirements, and that, if needed, reserve requirements might be reduced.

Such an interpretation may prove to be overoptimistic, but the effect on the market was a real shot in the arm.

## Effect on the Bond Market

Up to November 14 the prices of Government securities had been firm especially for the longer bond issues. But substantial amounts of recently offered corporate and tax-free issues were reposing unsold on the shelves of investment bankers, of which the

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## Four Suggestions on Government Securities

FROM the talk on Government bonds, by LeRoy F. Winterhalter, vice-president, The First National Bank of Chicago, at the bank's correspondents' conference early in December:

"(1) It is, in my opinion, not too late to make adjustments in your account for the purpose of acquiring tax benefits. Exchanges which still show a profit should be made as soon as possible.

"(2) Those who are heavy in bills and short certificates should give consideration to a moderate lengthening program to freeze presently attractive yields for a period of years. In this connection, I would suggest maturities from 1960 to 1963.

"(3) Insofar as is possible, try to retain the 4% notes due August 1, 1961, and 4% notes due August 15, 1962. You probably will not see any more of these 'holder-option' obligations for a long time.

"(4) If you are in a position to accept a smaller coupon in lieu of higher current income, the low-coupon discount obligations are attractive because of their better after-tax yield than high coupon issues."

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large offering of American Telephone and Telegraph bonds was the prime example.

No sooner did the ticker announce the lowering of the rediscount rate than buyers who had been holding off to see which way the cat would jump decided to do their buying at once. So much so, that the AT&T bonds were cleaned out in "moonlight" trading on the 14th. Other issues which had been somewhat sticky were also sold at improved prices.

Similarly the market for Government securities took a new lease on life, possibly overdoing matters, but that remains to be seen.

It looked as if the "two-by-fours" and the "two-and-a-half-by-fives" were becoming "museum pieces" already. All the longer 2½% bonds were about as strong as the 2½s 12/15/72/67.

It was clear that the market was quite thin on the supply side and equally clear that some real investment buying was, at last, taking place.

### Outlook for Municipals "Encouraging"

FROM the talk on municipal bonds, by George Wendt, vice-president, The First National Bank of Chicago, at the bank's correspondent conference early in December:

"While it is quite evident that 1957 to date has been a most active and trying period for tax exempts, the prospects for the next few months are encouraging. . . .

"The 30-day visible supply of municipal bond offerings has diminished materially, contributing to the present firm undertone and brighter outlook. Some quarters are forecasting a rise in prices of as much as 50 basis points during the next several months. This may be overoptimistic in view of the authorized but unsold issues standing at the \$3-billion mark. The improvement in the bond market is apt to influence many governmental agencies to re-enter the market with issues previously withdrawn.

"Without a doubt, widespread activity can be counted upon and a higher price level seems realistic during the early months of 1958."

The announcement by the Treasury as to what would be offered in exchange for the \$9,971,000,000 of 3½% certificates maturing on December 1 and what would be used to obtain \$1.5-billion new cash was held up until after the rediscount

rate had been reduced. As a result, the Treasury was able not only to get the money nicely below the 4% rate but had the satisfaction of seeing its offerings oversubscribed and selling at premiums.

(CONTINUED ON PAGE 115)

## THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

PUBLIC offerings of municipal and state tax-exempt bonds will register a new high for 1957, as a whole. Indications also are that there will be a continuing large volume of municipal bond offerings in 1958.

Projections by the underwriting fraternity are that such bond issues are likely to total \$7-billion in 1958. Offerings hit a record of \$6,968,000,000 in 1954 and they have totalled \$5,572,000,000 in the first 10 months of 1957.

The predicted 1958 aggregate is likely to be reached, naturally, if borrowing costs decline, which would make it possible to finance many needed projects without raising local tax rates. Future Federal Reserve monetary policy will, indeed, be one of the major influences in the investment markets. Underwriters are not so much concerned with the manipulations of the discount rate, which has been used as a monetary "gimmick" for decades, but with decisions as to reserve requirements of member banks.

TIGHT money, in terms of higher yields and lower bond prices, have frozen a very considerable proportion of bank bond portfolios. There has been an appreciable recovery from the lows, and bank examiners will have fewer complaints of "impairments," even though Governments still rate par for borrowing purposes from the central bank. Easier money could correct the technical damage which has been done without necessarily creating undue inflationary pressures, it is generally felt.

On October 31, the average price of all bonds quoted on the New York Stock Exchange was \$89.67, the lowest since May 1940, when the quote was \$87.87. The average price for U. S. Governments was 92 on October 31, but it has

increased since. Despite some turbulence at the time of the President's mild stroke, the bond markets, generally, have been in fairly good shape.

Bonds offered publicly in November totalled more than a year ago, but were still a relatively small amount. They totalled \$1,179,496,000 covering 219 issues. This compares with \$1,742,054,000 for 117 issues in the preceding month. The November 1956 total was \$777,510,000. Housing bonds were \$150,942,000 of the November volume.

THE bond total for the first 11 months of 1957 came to 2,013 new issues, aggregating \$16,178,014,000. Of this volume, 708 housing issues took \$1,771,260,000. In the first 11 months of 1956, new bond issues totalled \$11,733,104,000 divided into 1,756 flotations, of which housing issues numbered 679, totalling \$1,848,241,000. Generally speaking, the biggest portion of the over-all figures is represented by state and municipals, followed by public utilities and industrials.

Offerings of new stocks in November reached \$77,853,000. There were altogether 12 new issues. This compares with 11 new flotations in October totalling \$76,226,000 and with \$38,195,000 for six new issues in November 1956. Flotations of new stocks in the first 11 months of 1957 covered 128 offerings for \$637,212,000, against \$797,290,000 in the comparable period in 1956, when 127 new issues made their appearance.

Retirement of bonds before maturity declined to a record low in November. They amounted to only \$7,687,000, the smallest for any November since 1927. Redemptions were \$20,066,000 in October and \$31,436,000 in November 1956.



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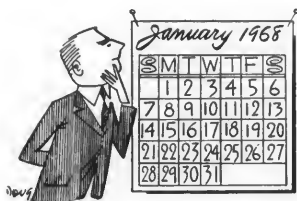
# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

## Business Building Bulletin

JANUARY 1958

### Market Research Means Business



**T**HE date on the calendar above is not a mistake. It means that banking's biggest job today is to prepare for tomorrow and that BANKING's sights are turned toward the expanding opportunities just ahead of the banking business.

Within a decade or so our banks may well be handling \$50-billion more in deposits, \$50-billion more in loans, a vastly greater volume of checks and comparable increases in all bank services. There will be new services, new equipment, new methods of business development and personnel training.

**WANTED:** 10,000 bank presidents, in this 10-year period, to succeed those who will retire, and 50,000 new officers below the rank of president.

A year ago BANKING began publishing a 16-page section called *Business Building Bulletin*. It contained news about sales and public relations aids available to banks through the American Bankers Association and promotional ideas used successfully by banks throughout the country.

Now BANKING is taking the next step. The *Bulletin's* formula will not be changed because it has been effective, but the contents will be turned more definitely toward market research and how this can be used to meet competition and build business.

If these recent years had not been so prosperous, the failure of banks to keep pace with the growing demand for various financial services would have been more evident.

BANKING's program in market research will have two main aspects:

(1) Reporting on what the Association and other groups are doing in this field.

(2) Reporting on BANKING's own activities of a similar kind.

Much has already been done in market research for banks but the results have not been put to much use. It is a case of seller, sell yourself first.

Starting with the survey by N. W. Ayer and Son for the Reserve City Bankers in late 1946, the trail leads through every variety of research down to the one just completed by George Katona of the Michigan Survey Center on what business expects of a bank.

BANKING itself has conducted a series of market studies in various cities over the past 10 years. These have been a mixture of public opinion and practical market research, with a tendency to emphasize more and more the business development aspects.

More recently there was the survey on savings competition conducted for the American Bankers Association by the A. J. Wood organization, and there were three surveys by the J. Walter Thompson Company for the joint A.B.A.-A.R.C.B. public relations program.

Many individual banks have done their own surveys with varying success. The A.B.A. Department of Monetary Policy conducted a mail survey of company treasurers on how they choose their banks, and this stirred exceptional interest among readers of BANKING.

The biggest job in connection with all this sort of research is to keep it practical, produce usable information, and develop techniques for local surveys which small banks can afford.

The science of market research has made its greatest progress in the past year or so and is moving forward so fast today that it takes constant watching to keep up with it.

There is no longer any excuse for spending money on advertising without first finding out what the job is to be done and then testing to see how well the objectives have been achieved.

The machinery exists and BANKING will use it to help banks:

- (1) Know their customers and find out what they want;
- (2) Develop services;
- (3) Sell them.

# IDEAS AT WORK

## "Million Dollar Breakfasts" Nourish Baton Rouge Bank's Public Relations

At 7 o'clock on a November morning, 70 Baton Rouge members of the National Association of Accountants came to the Louisiana National Bank for a "million dollar breakfast."

It was quite a party—gimmicks and gags to make the guests realize that a bank is a very human place, after all, and then a serious program that showed them how a bank begins a busy day and how close are the relationships between accounting and banking. Trimmings included a display of \$1,000,000 in cash and a \$20,000 carpet of \$100 bills.

Preston V. Kors, vice-president of the bank, who worked out the idea, says the program was "an excellent means of breaking down attitudes about the cold atmosphere of banks." It also gave the Louisiana National a chance to show how it serves the community. Similar affairs are planned for other groups; at this

writing the barbers had been invited to breakfast.

All officers of the bank were on hand to greet the accountants that morning. Ushered into the lobby, the visitors were first shown the currency exhibit loaned by the Atlanta Fed. Then each guest picked up his own plate and moved down the tellers' line to acquire his "marginal orange juice," "tomato juice es-crow," "inflation eggs," "crisp bankers toast," "2-bit coffee," "milk of human kindness"—all served from the cages by the officers.

At the tables the place cards and mats were giant checks, made out individually for one cent and signed by Louisiana National's president, Elbert E. Moore. The latest issue of the bank's house organ, "Coffee Break," was at the plates. This special edition was titled "A Day with the Merchants of Money"; with the aid of many pictures the story carried the reader through the bank, ex-

plaining how a day starts in each department.

Stunts included a skit in which a bank man, dressed as a surgeon, pretended to drain "ice water" from the veins of the accountants' president, Clarence L. Dunn, labeled "The Myth of God's Frozen People," and from a bank officer dubbed "The Myth of the Glass Eyed Banker." The doctor then injected "the milk of human kindness."

Next, Mr. Dunn walked on a carpet of 200 \$100 bills to inspect a gold-lacquered dolly laden with \$1,000,000 in cash. (The \$100 notes were fastened with rubber cement and came through without a crinkle. Mr. Dunn had removed his shoes.)

That ended the fun-making. President Moore, in serious vein, spoke about the mutual interests of the two professions. Then, in groups, the accountants toured the bank. A seminar on bank problems, particularly those with an accounting angle, concluded the program. Everybody was at his regular job by 9 o'clock.

The response, Mr. Kors tells BANKING, was "most enthusiastic."



At the Louisiana National Bank's "million dollar breakfast," left above, "Dr. Holdem N. Skinum" injects "milk of human kindness" into the arm of Vice-president Hubert F. Brennan, posing as "glass-eyed banker." The "doctor" is Staffer Eddie Brennan. Awaiting an "injection" is C. L. Dunn, head of the Baton Rouge accountants' group; his sign reads "The Myth of God's Frozen People." Holding his hand is Vice-president Preston V. Kors, who planned the program. In the picture at the right, Mr. Kors lets Accountant Dunn get the feel of the million dollars in cash exhibited at the breakfast. Watching are Assistant Vice-president Sidney Pennington, Head Teller Frank McCutcheon, and Teller Wesley Hudgens



This display at the Iowa Bankers Association convention featured the slogan "The Bank Is the Saver's Best Friend." Inserted within the borders of the letters were copies of A.B.A. ads on this theme. Kits of advertising material for the campaign were furnished by the A.B.A. Advertising Department

When last heard from he was looking forward to the barbers' breakfast.

"Just imagine," he mused, "all the chatter that will spout from barber chairs in Baton Rouge!"

### Bank Writes "Welcome" Letter to Mothers of New Girls on Staff

WHEN a new girl joins the staff of The Union Market National Bank, Watertown, Mass., Executive Vice-president William R. Kennedy writes her mother a friendly note. "I want you to know," he tells Mrs. Jones, "how pleased we are to welcome your daughter Karen to our bank staff. We hope she will find her work assignments interesting and will enjoy working with the other members of our staff.

"We are fully aware of your parental interest in your daughter's vocational well-being, and I hasten to assure you that we have an equal measure of interest in her progress here at the bank.

"During the course of her association with us, it will be my responsibility to talk with her periodically regarding her work, and, in addition, both her immediate supervisor and myself will always be available to her should she have a problem or

The "Ideas" section of the *Business Building Bulletin* is by JOHN L. COOLEY.

question regarding any phase of her work.

"However, as well intentioned as this might be, we recognize the hesitancy of a young employee to solicit this help, and therefore it is in the spirit of mutual interest that we ask you to recommend this procedure to her.

"We are proud of all the people we have on our staff, and we are

sure that if you were to know each one personally, you, too, would be impressed. I am delighted to have had the pleasure of introducing your daughter to this group."

The bank makes effective use of the "recognition" letter that is so well tested a morale builder. On some occasions this comes from the president, John S. Tufts. For instance, to an employee who had finished a year of perfect attendance he wrote:

"I congratulate you on this fine accomplishment. May you continue to enjoy the good health which made such a performance possible! Accept my personal appreciation for the loyalty and interest implied in this splendid record."

Here's a "special occasion" letter from the president to one of the bank's supervisors:

"Dear Miss Brown:

"I was very pleased and greatly impressed with the splendid attendance record of our staff during the recent storm. Because it was such an outstanding group performance, I did not want it to pass without adding my personal word of thanks to you."

### "Who'll Make It \$1-Billion?"

THE Dime Savings Bank of Brooklyn, N. Y., did a special promotion for its billionth deposit dollar.

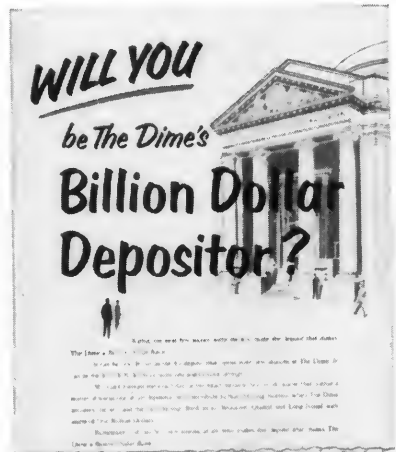
A week or 10 days before the expected milestone—statisticians had figured the time pretty closely—the bank ran a large display ad (*see cut*) asking "Will You Be The Dime's Billion Dollar Depositor?" On November 25, when the red letter deposit was expected, a close tally was kept by the main office and three branches.

Finally, in the afternoon, Mrs. John L. Douglas walked up to a head office window and learned that she had attained the distinction of making the Dime a billion dollar institution. When her transaction was completed, the bank's president, George C. Johnson, presented her with a sterling tea and coffee service and a bouquet of roses.

Other festivities included the distribution of rainhats to all customers, toy balloons for children, and a display of posters and banners.

Next day the bank ran an ad headed: "Now . . . Bigger Than

Ever—Thanks to You . . . The Billion Dollar Dime." Copy called attention to the more than 500,000 customers served, and to the fact that fewer than 100 American businesses have assets of a billion.



Copy in this advance ad was angled at the "It can be you" idea, suggesting that even a small deposit might be the one to make the big total



The Manhattan Savings Bank, New York, is holding Friday lobby concerts in cooperation with a piano maker. This one was by Teachers College Choir, Columbia University



This window display was used by a Providence Bank to support its College Club promotion, which was held during the past autumn

## Corporate Finance Course for Officers

CLASSES in corporate financial management, for men of officer rank, have just been concluded at The New York Trust Company.

Given at the bank as 2-hour seminar discussions once each week, the program was an extension of the bank's over-all training program. Leaders of the seminars were Professors C. Roland Christensen and Charles M. Williams of the Harvard Graduate School of Business Administration.

The first phase of the program centered on studies in corporate financial management. The second phase, which continued through December, was built around actual case problems drawn from the Harvard School files. The bankers took the roles of company financial officers.

## Thanks, Customer!

AN idea originating at Citizens and Southern National Bank of Atlanta is the inspiration for a "Customer Appreciation Time" promotion copyrighted by Atlas Advertising Company of Brooklyn, Mass.

The bank took the Valentine season as an occasion for thanking its customers, developing counter decorations and other material to carry along the thought.

The slogan of the new promotion is "Thanks for Banking with Us." Direct mail, counter cards, newspaper mats, heart-shaped badges for the staff, and a valentine for statement mailing are among the items.

Officers' seminar in corporate financial management at The New York Trust Co. Instructor is Prof. C. R. Christensen of the Harvard Graduate School of Business Administration



## BANK HOST TO CAMPUS OFFICIALS

The First National Bank of Memphis, pioneer in promoting closer relationships between banks and colleges, was dinner host to 68 deans, department heads, and other academic officials attending a Memphis conference of the Southern Group—American Association, Collegiate Schools of Business. Bank officers talked on the workings of a bank and career opportunities in banking. Allen Morgan, executive vice-president, presided for the First. In the photo he's at the left. Others: Dr. Frank Kaulback, University of Virginia; Dr. George Baker, Harvard; Dr. James E. Gates, University of Georgia; and Dr. Grover Noetzel, Miami University



# The News From Videotown

*Television Viewing Seems to Be on a Plateau — and the Viewer Is A Bit More Critical*

For 10 years Cunningham & Walsh, Inc., New York advertising agency, has been surveying television set usage and sales in New Brunswick, N. J., which, for this purpose, it calls Videotown. The 1957 study, like its predecessors, was made by Gerald W. Tasker, vice-president and director of research at the agency. Titled "The First Decade of Television in Videotown," it provides extensive data on the viewing and listening habits of an American community, and reports trends in other usage of leisure time: radio listening, reading, movie-going.

Here are some highlights from Mr. Tasker's 1957 survey.

PEOPLE are becoming matter-of-fact about television. They are also somewhat more critical. But they still spend the major part of their leisure time watching it.

There is a leveling-out in TV activity—an acceptance of viewing as part of everyday life and a slight return to other social activities. Visiting, entertaining, attending club meetings and other gregarious pursuits are gradually coming back. Movie attendance is still off, magazine reading is down again, newspaper reading, never much affected by TV, holds steady.

Time spent in TV viewing was 13 hours, 33 minutes a week in 1957, an increase of 6 minutes from 1956. The record high, 15 hours, 33 minutes per person per week (Monday through Friday) was set in 1955.

## An Average Weekday

Apparently TV has been on a plateau for the past three or four years. Between 75% and 85% of the people will tune in on an average weekday, each spending 13 to 15 hours per week (Monday-Friday) before his set.

Saturation in June 1957 reached 92.7% compared with 90.5% in 1956. Growth of television ownership has increased the potential audience each year.

The slight rise in total viewing hours per week in 1957 is attributed to a small increase in the number of people in TV homes and a rise in the percentage of people watching each weekday.

However, daily hours of individual viewing again decreased slightly—3 hours 13 minutes in 1957 against 3 hours, 17 minutes in 1956. "In other words," says Mr. Tasker, "the individual's tendency to become more selective (which began in 1954) has become stronger. He will watch specific shows, turning away from the set to do other things when interest flags."

## The Evening Pattern

The same pattern is evident in evening viewing: more people are watching for a shorter time. 1957 weekly average was 11 hours, 27 minutes or 24 minutes more than in 1956. "Since 1954 there has been a decrease in the number of evening hours per day that an individual spent in front of the set."

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## Does Your TV Audience Say "Ho-Hum"?

A STEADY rise in Videotown's "index of boredom" — the percentage of watchers of 10 TV shows who made unfavorable comments — was reported to the National Association of Advertisers by John P. Cunningham, president of Cunningham & Walsh, Inc.

Imitation is compounding boredom, Mr. Cunningham said, and "lately the criticism of programing has been rising to a crescendo." This is very much the business of admen and advertisers, because "pallid programing can rob the best commercials of much of their power."

"Television," he asserted, "is telescoping into the space of a few years the entertainment interests that used to extend over a lifetime. Are we using up our interests so fast that boredom sets in with abnormal and destructive swiftness?"

The boredom factor in TV causes dial-switching, "vacant-minded viewings, lower ratings, and as far as TV

In Videotown, on any evening, a proportion of more than 8 out of 10 wives and not quite as many husbands and teenagers watch at some time. This is a slight dip for the men and youngsters from 1956, but an increase for wives.

Weekday morning viewing is also on a plateau—and a low one. The average person spent less than an hour a week watching in 1957. In 1954 it was 1½ hours, just over an hour in 1956. Weekday afternoon viewing is also down a bit: 1 hour, 15 minutes in 1957 against 1 hour, 39 minutes in 1954.

Time spent in listening to radio weekdays shows a downward trend, but the percentage of evening listening has increased.

"In the future," the report predicts, "television viewing will follow a series of high level cycles. The movement will be influenced partly by new set developments, partly by social and economic changes which keep people at home or attract them away from home, but mostly by programing. The all-important determinant for audience size is the creative vitality of TV programs."

advertising is concerned, less penetration per-skull-per-dollar." As for imitation, Mr. Cunningham said it had recently become "alarmingly intensified," with competitive quiz shows, adult westerns, singing emcees. There is an opportunity for "exceptional programing." A multiplication of the same type of show "can only narrow the base of television, restrict its power, its values to the people."

This adman foresees for TV "a much greater expansion beyond the dream world of romance and cowboys": i.e., wider, deeper coverage of the UN and other public affairs.

Urging that advertising people be alert to the possibility that a most important advertising tool may be blunted, he suggested a look "straight through the ratings" of a program to see whether there was danger of boredom, whether it was imitative, whether it offered the surest access to the market.

# Public Relations Information, Aids, and Sources



## More A.B.A. Business Development Aids

**T**HIS is a sequel to the article on A.B.A. business development aids for banks in the November issue of *BANKING's Business Building Bulletin*, p. 72.

The November issue described nine specific A.B.A. business development items, plus miscellaneous business development information available to member banks in six subject categories.

Because of space limitations, reference to the following additional business development aids was not included in the November issue of *BANKING*:


- **Business Development Through Officer Calls.** Manual (No. 12 in series) obtainable from Public Relations Council at 85 cents a copy. Contains ideas for officer call programs.
- **Business Building Bulletin.** Special monthly feature in *BANKING*. Includes ads, aids, ideas, and sources relative to development of banking business. Inaugurated in February of 1957. Reprints of some issues still available from *BANKING* or Public Relations Council without charge.
- **Using Bank Personnel to Attract Savings Accounts.** Pamphlet obtainable from Savings and Mortgage Division at 50 cents a copy. Useful in building savings deposits.
- **Letters to Build Savings Accounts.** Pamphlet obtainable from Savings and Mortgage Division at 50 cents a copy. Contains sample letters for stimulating growth of savings business.
- **Savings and Mortgage Publications.** List of sources for "a more efficient and profitable savings and mortgage business." Available without charge from Savings and Mortgage Division.
- **17 Savings Aids.** List of savings aids, including several useful in building savings business. Available without charge from Public Relations Council.
- **Know Your Bank Week.** Background information on how to win friends and customers through "Know Your Bank Week" programs. Available from Public Relations Council. Especially useful to bankers' groups interested in sponsoring "Know Your Bank Week" on a regional, state or county basis.



*Using  
Bank Personnel  
to attract  
Savings  
Accounts*

**LETTERS TO BUILD  
SAVINGS ACCOUNTS**

PORTFOLIO OF DIRECT MAIL  
SALES LETTERS



*Savings and Mortgage Division*  
**AMERICAN BANKERS ASSOCIATION**  
12 EAST 56 STREET, NEW YORK 16, N. Y.



# Public Relations Information, Aids, and Sources

## National Magazines Tell Banking Story to Over 21-Million Readers

**B**ANKS and bank services were widely publicized during the past three months through articles in four of the nation's top magazines with a combined circulation of over 21,000,000 readers. The articles were developed in conjunction with the A.B.A. national public relations program.

### New York Times Magazine

Most recent was an illustrated feature story in the December 1 issue of the *New York Times Magazine* (circulation 1,277,000) on school savings in banks, based largely on an interview with Millicent Trichler, assistant treasurer of the Dollar Savings Bank of the City of New York and former chairman of the Committee on School Savings of the A.B.A. Savings and Mortgage Division.

### Reader's Digest

The banking interest in promoting savings was also the principal theme of an article published in the October *Reader's Digest* (circulation 11,000,000). Besides stressing the significance of savings in combating inflation, this article (also printed in the September issue of *BANKING*) dramatized

the warmth, friendliness, and vitality of today's banks.

Incidentally, a follow-up reference to this October banking article was made in the November issue of *Reader's Digest*. It appeared as a footnote in an article entitled "The Ad and the Id" by Vance Packard, author of *The Hidden Persuaders*, current best-seller. The footnote was applied to a paragraph on the recent bank motivational study conducted by the J. Walter Thompson Company's research department for A.B.A. (*Copies of the findings are still available to member banks from the Public Relations Council at \$2.50 each.*)

Here is what Mr. Packard had to say about the study:

"Motivational studies have found that many of us hesitate to approach a bank for a loan because we see the bank as an angry father-figure who will disapprove of our untidy financial affairs. Many people would rather go to a loan company, in spite of the higher interest rate, simply because the moral tone associated with it is lower. There the borrower can see himself as a righteous fellow temporarily forced into low company—and the higher cost of the loan is a small price to pay for such a changed view of ourselves . . ."

### Fortune Magazine

"The New Face of Banking" was the title of a 7-page pictorial feature in the October *Fortune* (circulation 287,000). In the text which accompanied 13 impressive color photos, *Fortune* observed that "In small towns as well as the cities, bankers are putting up well-designed modern buildings that combine dignity with an atmosphere of cheerful service quickly given."

### Look Magazine

Also helping to create a more favorable public image of banking, was an illustrated feature in the November 12 issue of *Look* (circulation 9,000,000). This feature, which noted the growing importance of the U. S. housewife in the handling of family finances, told of the many special facilities and services now being offered by various banks to please women customers.

### A.B.A. to J.W.T. to Public

All of these articles were the result of coordination and cooperation among different A.B.A. departments and people, furnishing content and substance on the basis of which the J. Walter Thompson Co., A.B.A.'s public relations counsel, developed the form and approach.



# Public Relations Information, Aids, and Sources

## A.B.A. EDITORIAL MAT SERVICE

The A.B.A. editorial mat service, *Bank Notes*, a feature on banks, bank people and bank services, is now published regularly by 1,129 small-city weekly newspapers with an estimated total circulation of 2½-million readers. This is another component of the A.B.A. national public relations program in behalf of banking.

Four selected issues of *Bank Notes* are also released three times a year for monthly insertion in about 2,700 special-interest publications with a combined at-home circulation of about 28-million readers. These publications include employee, fraternal, religious, shopping, and labor magazines.

Four issues (mats) of *Bank Notes* are sent to each of the subscribing newspaper every two months for suggested biweekly insertion. Featuring a comic strip illustration technique, each issue follows a three-part pattern of (1) interesting historical banking incident or tie-in, (2) a useful bank service or facility, and (3) a "case history" showing how a bank or group of banks helped an individual or business or contributed something of value to the community.

**BANK NOTES** . . . . . by Malcolm

**Did you know...**

FIRST OFFICIAL U.S. COIN, ISSUED IN 1787, WAS OFTEN CALLED THE FRANKLIN CENT BECAUSE OF INSCRIPTION, "MIND YOUR OWN BUSINESS"... A PHRASE ATTRIBUTED TO BENJAMIN FRANKLIN.



**AVERAGE SALARIES** FOR COLLEGE GRADUATES AFTER 10 YEARS IN BANKING TOP THOSE IN INDUSTRY AS A WHOLE.



WILLING TO START SMALL AND BUILD SOUNDLY, TWO SKILLED WOODWORKERS OBTAINED A \$500 LOAN FROM A CALIFORNIA BANK TO OPEN A SMALL SHOP. EIGHT YEARS LATER, THEIR FIRM'S NET WORTH WAS \$50,000.

## A.B.A. RECRUITMENT AIDS

**Existing Aids.** The December issue of *BANKING'S Business Building Bulletin* contained an article, beginning on p. 73, entitled "Tomorrow's Banker—The Man and the Job." This article summarized fundamental "banker viewpoints" and "educator viewpoints" in respect to banking as a career. Copies of the article—in limited supply—are available to member banks on request to the Public Relations Council. Other recruitment aids obtainable through A.B.A. were described in the May issue of *BANKING'S Business Building Bulletin*, p. 79.

**New Aid.** A new A.B.A. recruitment aid has recently been compiled. Featuring reprints of *BANKING* articles in the April, June, July, and September 1957 issues, it is in the form of an attractive pamphlet entitled "Banks ARE Interested in College Graduates." Subjects covered in this 20-page composite reprint of *BANKING* articles include: Executive development in banks, a "stockpile of development tools," measuring the executive development effort in banks, college men in banking, recruiting on the campus, "college day" conferences, and an article entitled "Banks are People."

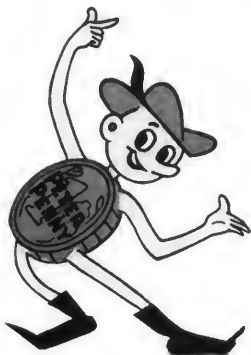
Copies of the pamphlet are available to member banks in quantity at \$10 per 100 on request to the A.B.A. Committee on Executive Development.

## BANKS ARE INTERESTED IN COLLEGE GRADUATES

A special report from *BANKING*  
Journal of the American Bankers Association  
April, June, July, September  
1957

Committee on Executive Development  
AMERICAN BANKERS ASSOCIATION  
12 East 38 Street, New York 16, N. Y.

# ADS and AIDS that sell SERVICES



## Award-Winning "Peter Penny"

*Starts the New Year  
With Bigger and Better Plans for*

## SELLING SAVINGS



Direct Mail Advertising Association leadership award for A.B.A. "Saver's Best Friend" campaign, presented on Sept. 11, 1957, at Washington, D. C.

The presentation of the DMAA award was an important milestone in the special savings campaign of which Peter Penny is the symbol. It pointed up the thorough and effective advertising job that member banks have been doing, with the help of the A.B.A., to claim their fair share of the "savings market." But it was only a milestone—not a stopping-point. The competition for savings continues unabated; and so must bankers' efforts. A tried-and-true advertising maxim goes, "The more you tell it, the more you sell it." The more banks that use more and more ways to hammer home the theme "The Bank is the Saver's Best Friend" during the coming year, the more the benefit for all banks—in terms of an increased number of bank savers and an increased volume of bank savings. Why not get behind the A.B.A.'s continuing all-out effort to get behind *you*?

Make full use of the ads and aids shown on the following pages that your Association has prepared for your use

—and watch for the new material A.B.A. will continue to prepare to help you reach ever higher savings goals. "Kickoff time" for

1958 is *now!*

# ADS and AIDS .. ..

## CHECK:



## How Many of the Original Aids Have You Used?

Below are shown the eight principal savings aids prepared in the initial phase of the award-winning "Saver's Friend" campaign. In addition to these direct advertising aids, the following material rounded out a complete promotional program: Newspaper advertisements, display card, and a series of statement enclosures for offering the aids; theme advertisement, in 3 sizes; theme poster; a series of 12 two-column savings ads (#14-SA); a series of 12 three-column savings ads (#15-SA); Peter Penny seal in color, with gummed back; radio spot announcements written in both 30-second and 60-second versions; television announcements in "storyboard" form; suggested publicity releases; speeches in complete prepared form; booklet of window and lobby display ideas; outline for staff meetings on the savings program. Have you taken advantage of *all* these tools for selling bank savings?



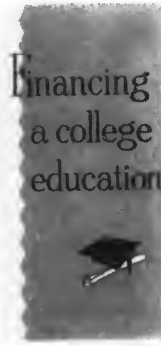
6-page folder  
green and purple  
# 56-27



6-page folder  
terra cotta and  
black  
# 56-28



8-page booklet  
green and brown  
# 56-26



8-page folder  
blue and black  
# 56-29



4-page folder  
brown and yellow  
# 56-31



6-page folder  
buff and brown  
# 56-30



30-coin holder  
purple and black  
# 56-25



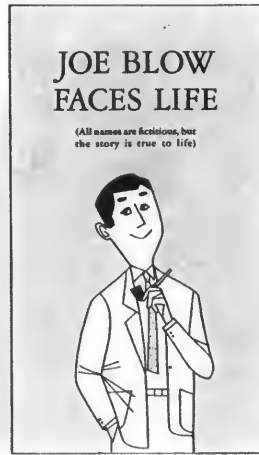
"Slide rule"  
budget guide  
blue, black, and  
buff  
# 56-24

# .. that sell SERVICES

## How Many of these Newer Aids Have You Used?

Here are shown nine more savings aids prepared since the initial campaign was launched. In addition to these aids, the following other new items have broadened the scope of this promotional program: Colorful Peter Penny decalcomania for affixing to bank windows, etc.; 3-dimensional Peter Penny wood cutout display; Peter Penny balloons, on which individual bank's signature and message are imprinted; a new photographic series of 12 three-column savings ads (#16-SA); 2-color easel-back display card, in design and message matching the folder numbered 56-44 below. Have you taken advantage of all *these* tools for attracting savings to your bank?

The very newest aid (at right) is unusual. It narrates how one American finds a greater measure of satisfaction and happiness through regular saving. 6-page folder, coral and black, #58-2.



4-page folder  
blue and black  
#57-4



6-page folder  
blue and black  
#57-9



4-page folder  
light blue and  
dark blue  
#56-42



Blotter  
burgundy and  
black  
#57-10



Blotter  
red and blue, on  
yellow  
#56-45



4-page folder  
red and blue  
#57-24



4-page folder  
orange and brown  
#56-44



Blotter  
silver, red, and  
black, on white  
#57-27

To obtain samples of any of the material shown on these pages, or details on any of the other material described, simply write the A.B.A. Advertising Dept., 12 East 36 St., New York 16, N. Y., specifying items in which you are interested.

Please use identifying key numbers where possible.

# Some PR Problems

## What Would You Do?

(Solutions used in meeting these problems will be found at the end of the article)

ALLAN HERRICK

Advertising Manager, Security-First National Bank Head Office, Los Angeles

## The Case of the Hidden Survey

**Situation:** Your bank is the third largest in your city. In your view as public relations officer, many of its policies are antiquated and its services backward. Although deposits gain from year to year, figures show that your percentage of the total business in your city is steadily declining.

In an effort to correct the above situation, you employ an experienced survey organization to obtain a cross section of the views of your community with respect to the various banks. You ask such questions as: "Which bank is most friendly and considerate?" "Which has the best service?," etc.

It is your expectation that the number of favorable answers received by any bank will closely parallel the amount of business it has. Results of the survey prove to be:

	Percent of City's Deposits	Percent of Favorable Answers
Bank "X"	40%	43%
Bank "Y"	37%	39%
Your bank	20%	11%
Remaining small banks	3%	7%
	<hr/> 100%	<hr/> 100%

**Problem:** Your bank is the only one receiving a dis-



couraging number of favorable responses, and you consider this survey to forecast a declining use of your bank services in the future. You cast about for a remedy and consider some of the following:

**Solutions:** (a) Try to sell management on an enlarged advertising campaign featuring the new popular services your bank offers and stressing courtesy and friendliness.

(b) Go direct to the chairman of your board and ask his counsel.

(c) Hide the survey and forget about it.

**Your Recommendation:** With the best interests of your bank in mind, which plan should you pursue?

## The Case of the Defaulting Treasurer

**Situation:** As the public relations officer of a midwestern bank you are in Florida attending a trade convention. An afternoon paper carries the news that an officer of your bank has been jailed charged with theft of funds from a charitable agency for which

he is treasurer. The situation appears serious and you return home. News upon arrival is worse than you feared. Among other things:

- (1) The officer is short in his accounts at your bank.
- (2) He has been receiving gratuities from borrowers.

(3) A fellow officer of your bank, actuated by a sincere desire to protect the bank's interests, has denied to reporters that the bank is involved.

**Problem:** You are besieged by newsmen demanding stories or interviews on the defalcation.

**Solution:** You see four possible solutions.

(a) Have your officers refuse to see newsmen on the grounds that the case involves only the charitable organization and its treasurer—not the bank.

(b) Refer reporters to the bank's attorneys.

(c) Disclose only the facts already known and withhold the rest, hoping that community feeling will improve before the balance of the story comes to public attention.

(d) Get it over with. Call a press conference and reveal everything known.

**Your Recommendation:** As the public relations officer, what course should you recommend?

## The Case of the Over-Priced Bank Stock

**Situation:** A successful speculator has purchased control of one of the smaller banks in your city. By clever manipulation, he has caused the price of the stock to rise in spectacular fashion. He has created the impression that bank stock has a much greater profit potential than has been realized. As a result, the stock of your bank, along with others in the community, has made a rapid advance in price.

**Problem:** Your officers are deeply concerned over the price increase. They feel it is unjustified by the bank's current earnings or future prospects. Innocent investors are purchasing the stock and your management forecasts an ultimate loss for them. You are called in conference and asked to suggest possible remedies.

**Solution:** You see several possible solutions to the problem:

(a) Circularize all of your shareholders and call their attention to the fact that the present high price of the stock is unrealistic and out of line with the bank's possible earnings.

(b) Place display advertising on the financial pages containing material from your annual report. Show



your earnings for some years back, both gross and on a per-share basis. From the published figures the intelligent reader will be able to ascertain that the current price is excessive.

(c) Send a release to the financial editors setting forth the exact situation that prevails and pointing out that, in the opinion of the bank management, current market price of the stock is unjustified.

**Your Recommendation:** As a public relations director for your bank, what do you recommend?

## Solutions Chosen

### Hidden Survey

THE public relations officer concerned chose Plan (b) and went direct to the chairman of the board. The chairman showed a sympathetic interest but expressed little faith in the findings of the survey. The number of calls that had been made (500) he considered entirely inadequate and expressed a lack of faith in surveys generally. He advised the public relations officer to keep the results of the survey to himself. The bank continued to lose in its race for its share of the business at the rate of approximately  $\frac{1}{2}\%$  a year.

### Defaulting Treasurer

THE bank chose Plan (c). Results were poor. Recurring stories containing bad news were spread out over a period of months as additional information

leaked to the press from time to time. More bad news was revealed at the trial. The bank suffered continuing loss of goodwill and public approval, and as a result of the incident the bank today has new management.

### Over-Priced Bank Stock

THE bank chose Plan (c). A release over the signature of the bank's president went to every financial editor and appeared in every city paper. It stated flatly that the price was excessive and that purchasers ran great risk of ultimate loss. Results were bad. Rumors sprang up instantly that the bank management was purposely trying to throw the public off the scent in order that insiders could buy up the stock at a low price in anticipation of a big melon to be cut within a few months. There was no melon, and when the price ultimately declined the bank suffered a loss of goodwill it had sincerely sought to avoid.

# Special Purpose Promotions

## How One Bank Prepared Public and Staff for Automation

**T**HIS is a short report on the preparations made by State-Planters Bank of Commerce and Trusts, Richmond, Va., for electronic bookkeeping. The program of promotion and information was directed not only to customers whose checking accounts (notably the bank's special "Chex") but all quarters of the bank itself, so that the employees would be fully informed.

A package of the promotional material provided by Virginia O. Valentine, advertising manager, shows that several major pieces were used, including:

- Newspaper ad telling the public that automation was coming.
- Wallet cover, register, sample check pad, and identification card—the customer's "electronic signature"—mailed to depositors.
- Letter to depositors explaining the new system and stating briefly the advantages of electronic bookkeeping.
- Letter to persons who had

closed their accounts too late to stop the printer from sending the new check material—and tactfully raising the question of reopening.

• Article in the staff magazine "No Protest," by Cashier Horace H. Harrison, on the new system. He said no employee would ever lose his or her job because of these or future machines.

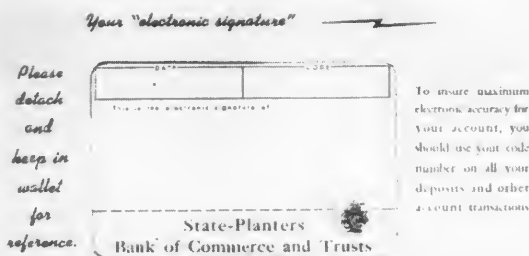
Early in the automation process the bank's operation division formed a committee which discussed all the problems and policies. This group, still functioning, consists of the operations vice-president, cashier, officer representing the branches, credit officer, merchandising committee, purchasing agent, and advertising manager. The committee worked with a check list of 35 steps required for automation, prepared by the operation department.

The bank plans to put standard and business checking accounts on electronic bookkeeping March 1; it recently changed over its 20,000 Chex accounts.

Right, a sampling of the check list of 35 automation procedures prepared by the bank's operation department to show sequence of events rather than steps in a completed job. Copies may be obtained from the bank



Below, the customer's identification card was mailed as a punch-out in this piece



This ad told the public that the bank was "tooling up" for electronic bookkeeping—"the fast, smooth way to handle all customers' checking accounts"

### CHECK LIST FOR AUTOMATION

1. Select bookkeeping equipment.
  - a) Order equipment
  - b) Design and order ledger sheets.
2. Determine most suitable account coding system.
3. Select and order equipment for master number file.
  - a) Files
  - b) Cards
  - c) Index guides
  - d) Cross reference cards
4. Select check source.
  - a) Inside vs outside printing
  - b) If inside, centralized vs decentralized
- 4a. Print deposit tickets? - More feasible if inside printing.
5. Design new check styles - New deposit tickets, signature cards.
  - a) Which style books
  - b) Attached or separate covers
6. Obtain and train master file clerk.
7. Order checkbook covers.
8. Design and order identification cards (if no imprinted deposit tickets).
9. Lay out proposed plan of introduction to public.
10. Report on proposed system to President and/or Board for approval. (Done before various orders for equipment or supplies are placed.)
11. Memo to affected departments re: number system, how it works, why chosen, etc.



## How a "Merger Bank" Established Its Identity in a Large City

WHEN The First National Bank and the City National Bank of Houston merged, the new name, "First City National," was, of course, strange to Houstonians, and the job of making it familiar was handed to the advertising department and the agency.

The problem, as the admen saw it, was to establish the new bank's identity firmly in the public mind, and to do it in a way that would be in keeping with the institution's position in the community.

It was decided to emphasize the key words "First City," and to base the copy approach on Houston's position as "first city" in such fields as petrochemicals, construction, and retail sales. Using this introduction, advertisements developed the fact that First City National had had an important part in financing the growth of each of these businesses.

On continued association of "first city" (Houston) and "First City" (the bank) was built a campaign which, we're told, achieved the desired recognition of the name and associated the bank with the many factors responsible for Houston's growth.

### "First" Subjects

One advertisement, *right*, identified Houston as the South's first city in population, another as the first city in the state in steel production; a third as the leading city in the manufacture of oil equipment.

Each emphasized, however, that the service of industry was "only half our job." Serving the people of Houston was the other half. There were mentions of checking and savings accounts, safe deposit, installment loans, travel checks, etc.

The ads have been chosen regularly for inclusion among an interna-

tional selection of top McCann-Erickson productions. This agency worked in close cooperation with Louis

Letzerich, vice-president and advertising director of the First City National in producing the series.



Houston—first city in the South in population

The **FIRST CITY** is banker  
to the South's **FIRST CITY**

Greater Houston, with 1,150,000 people, has outgrown its Southern rivals.

More people mean extra business . . . extra business means bigger payrolls . . . and bigger payrolls mean better jobs, greater security for us all.

As banker to business in the South's first city, *The First City National* has had a hand—a big hand—in this growth. It is instrumental in bringing new companies and new payrolls to Houston; it provides credit for the healthy expansion of established companies.

As banker to the *people* of Houston, it is a working partner to thousands of men and women, newcomers and oldtimers, who call First City "my bank." To them—and to you—it offers the most complete range of banking services to be found in any Houston bank.

We invite you to open an account at First City National, where your business is important and you're always among friends.

3%

ON SAVINGS

# Ideas for Your Bank's Director-Stockholder Relations

At the 1957 Financial Public Relations Association convention one of the clinic subjects was "Utilizing the Influence of Directors and Stockholders." The leader, George V. Christie, vice-president of the First National Bank of Arizona, suggested that the meeting try the brainstorming method of developing ideas—that is, each person present would offer whatever pertinent suggestion popped into his or her head. There would be, of course, some good ideas, some not so good; the main thing was to start a chain reaction and see what happened.

Quite a bit happened—for the method worked. Nearly three score suggestions for bringing directors and stockholders into closer contact with the bank were produced, in swift sequence, by the brainstormers. BANKING attended the clinic and reports most of the ideas herewith.

## Ideas, Ideas, Ideas . . .

Use your officers' dining room for luncheons at which the directors can meet customers and prospects.

Include a sales plug with the dividend checks.

Inform directors and stockholders about special services so as to give them selling tools.

Give lists of prospects to the directors and inquire: "How many of these people do you know?"

Brainstorm your directors on new business development.

Hold some of your board meetings in the business offices of directors.

Include a new business recap in your annual stockholders' report.

Include with the dividend check information on current advertising on new business emphasis.

Break down your stockholder list into categories—businessmen, women, professional people, etc.

Show the directors a training film on business development.

Give staff members a list of the stockholders so they can get acquainted with the owners of the bank.

Have special bank tours for the stockholders so that they can see what goes on behind the scenes.

Let stockholder businessmen bring their own staffs to the bank for a tour.

How about inviting directors who are directors of other companies to hold meetings in your bank or your town.

Many banks now have advisory boards. Give the members a business development assignment. Make them feel they are on the directors list even though they have no official function.

## Stockholders as Prospects

Send each stockholder a list of the bank's services and have him check those he uses. He's a fair prospect for the unused services.

Invite stockholders' suggestions and criticisms regarding the bank's services.

Pep up your board and stockholder meetings by giving the participants a chance to discuss business development problems.

Have periodic dinner meetings for your directors and the community leaders or businessmen in various sections of the area.

Have a dinner at least annually for officers and directors.

Know the services and products sold by your stockholders and directors with a view to sending *them* business in return for their aid to the bank.

Use photographs of directors and stockholders in the bank's advertising. Feature stories about their companies and products.

Mail a suggestion slip with the dividend.

Have an annual stockholders' drive for new business: each share

owner to bring in one new customer.

Put stockholders on the reception committee when you have a special public event such as an opening, anniversary celebration.

In the annual report call attention to the diversity of occupation among the stockholders.

Suggest that the directors attend banking conferences.

Meet informally with your directors and key stockholders from time to time. Get acquainted with them.

## For Women Shareholders

Entertain women stockholders in small groups and suggest that they sell bank services.

Let each woman bring a friend to these affairs.

Be sure the women stockholders are invited to all the bank's women's finance forums. Let them be hostesses.

How about dividing stockholders into groups and assigning them to business development departments?

If you have a newsreel television program, let it include visits to directors' and stockholders' businesses.

Plan a year around program for the stockholders instead of just sending the annual report. This might include interim reports, or monthly news letters, on what's happening in the bank.

Write letters of appreciation to new stockholders and to those who increase their holdings.

Send your house organ to the stockholders.

Give your directors subscriptions to banking magazines and national publications. Mark special articles for their attention.

Furnish the directors printed material that applies to their businesses.

*And there you have a synopsis of what happened in just 15 minutes of brainstorming by sharp bank public relations people. It was a busy quarter-hour!*



A view of Union Bank and Trust Company of Bethlehem, Pennsylvania, showing a few of their Brandt Automatic Cashiers.

*"We have used Brandt Coin Changers and Packaging Equipment in our bank for as long as our tellers can remember."*

Statement by Union Bank and Trust Company of Bethlehem

From time to time, as their volume of business increased, the Union Bank and Trust Company of Bethlehem added Brandt machines of various types, Brandt Automatic Cashiers, Brandt Coin Sorters and Counters and Brandt Coin Counters and Packagers. Today this bank has a total of 22 of such machines.



Two Brandt models, a coin sorter and counter and a coin counter and packager ready for use, owned by the Union Bank and Trust Company of Bethlehem.

Reproduced herewith is an interesting letter which clearly portrays the value of Brandts to this bank.

"Brandt" and "Coshier" registered United States Patent Office and Canadian Trade Marks Office



UNION BANK AND TRUST COMPANY  
OF BETHLEHEM  
BETHLEHEM, PENNSYLVANIA

May 17, 1957

Brandt Automatic Cashier Company  
Watertown  
Wisconsin

Gentlemen:

As you well know, we have used Brandt Coin Changers and packaging equipment in our bank for so long that our tellers can remember.

When we opened our Broad Street Office in 1951, it was automatically equipped with seven new Model 150 Brandt Coin Changers. Since then our activity and coin handling has increased rapidly. It was a natural to add the "work twins," a Brandt Electric Coin Counter and Packager and a Brandt Electric Coin Sorter and Counter, to add the work load behind the tellers' windows.

Brandt coin handling machines have supplied the answer to modern banking demands for speed and efficiency. We would unhesitatingly recommend the use of Brandt coin handling products.

Very truly yours,

*William H. Gilhorth, Jr.*  
William H. Gilhorth, Jr.  
Assistant Vice President

WHD, Jr. :fms



Delegation of rural bank presidents and managers from the Philippine Islands attending the National Agricultural Credit conference of the A.B.A. in Chicago. *Left to right*, Eugenio Villanueva, Imus; Rafael V. Lyano, Lian; Florencio Soyangoo, Navotas; Rufino de Jesus Reyes, Battan; Rudolfo O. Desiderio, Rizal; Concepcione Jalandoni, Iloilo City; Gregorio Locsin, Roxas; Rudolpho M. Nisce, San Fernando; Sergio Naguiat, Angeles; and Horace A. Lake, technical advisor to Rural Bankers of Philippines, International Cooperation Administration and Department of Agriculture, Washington. The Agricultural Commission's display of material available to banks is in background

## Country Bankers Face Challenge of Agribusiness

G. B. WOOD

Highlights from the A.B.A.'s  
National Agricultural Credit Conference

DR. WOOD, a member of the Advisory Council of the A.B.A.'s Agricultural Commission, is head of the Department of Agricultural Economics, Oregon State College, Corvallis.

**O**PPORTUNITIES and responsibilities in financing the growing and complex agricultural industry of farmers, processors, distributors, and service agencies was the theme of the Sixth National Agricultural Credit Conference held recently at the Morrison Hotel in Chicago.

Some 500 bankers from coast to coast were told that a large part of agriculture has moved off the farm. Actual production on the farm was characterized as only one link in the chain of operations called Agricul-

ture. The new and often complicated activities of processing, packaging, transporting, selling, and adequately financing our nation's food and fiber operations—along with the farm operations—are together becoming known as "Agribusiness."

Bankers who see their opportunities in agriculture only as financing farmers and farm production will fall far short of their potentialities. This was the opinion of J. Earl Coke, vice-president of the Bank of America, who keynoted the opening session of the conference. "Commercial banks face the very real possibility of a decreasing relative volume of agricultural business unless they are alert to the credit needs of a rapidly changing agriculture and are willing not only to meet competition but to

adjust financing practices to meet the current needs of agriculture. Not all the trends are favorable to commercial banks," he said.

### The Challenge of Change

The banking responsibility in the changing agricultural scene was stressed by A. K. Davis, chairman of the board, Wachovia Bank and Trust Company, Winston-Salem, N. C. "We live today in a period of sudden and sweeping changes in every area of life and in all lines of endeavor. We must be quick to discern further changes which may even now be developing," he said.

One of the changes which received considerable emphasis from many speakers was the growth of vertical integration in agriculture. Using a

series of three circles representing the farmer, the supplier of farm services and the processing or marketing firm, Dr. Lowell S. Hardin of Purdue University showed how these functions could be "integrated" or controlled by centralized management. He viewed integration as a natural development in a highly competitive rapidly developing economy. Although Dr. Hardin listed many implications of integration in agriculture, he cited four potential developments. Integration can:

"(a) Effect savings which can be achieved due to technical developments in production and marketing.

"(b) Reduce risk and increase stability of income for certain efficient farm producers.

"(c) Shift certain farm producers from the ranks of independent businessmen to the role of piece workers. (Whether this is good or bad will depend upon comparative earnings and the value placed upon independence.)

"(d) Help provide society with goods it desires at lower relative prices."

#### Buyer Specification Production

Bankers were told of another change rapidly developing in which farmers will produce largely to "buyer specifications." The food distribution industry is being concentrated in fewer and fewer hands with efficient mass distribution dependent upon buying on specification. The day is rapidly approaching when few farmers will be able to produce what they wish, when they wish to do so, and in the amounts they wish without regards to what the market will take. Farmers are dealing with a new type of "animal"—a consumer-retailer team that is writing the ticket.



Chairman Harry W. Schaller presents an illuminated scroll to Dr. O. B. Jesnes

Contracting is exerting new horsepower in the food industry, too. Food processing and marketing firms are contracting ahead for meat, potatoes, and other products for periods as long as five years. Such contracts provide a stable forward price for food buyers while taking some risk out of farming. Farmers who contract know the price or margin and how much they can sell at that price well in advance of making their production plans. Bankers were advised that contracting will grow in importance as specifications can be adapted to farm production. This undoubtedly will mean more enterprise specialization, larger farm units, and even greater capital needs.

#### Buying Under Contract

Buying on specification under contract usually leads to closer field supervision on the part of the contracting agency. This built-in field supervision assists contractors who finance since the field man can also supervise the direct financing from the marketing or processing firm.



Lee P. Miller and William J. Klein discuss agricultural developments

This presents a new area of competition for country bankers.

The impact of changes in agriculture and of changing credit needs stimulated lively discussions in the popular afternoon "bull sessions" which permitted small groups of bankers to exchange views on many problems. The handling of intermediate term loans for farm equipment, irrigation systems and other capital items drew considerable attention. Much discussion was also directed to crop and livestock lending problems.

#### Farm Output to Expand

Several speakers emphasized that agriculture is undergoing a technological revolution comparable to the industrial revolution of 75 to 100 years ago. No food shortage is likely for a considerable period ahead. Excess farm capacity, currently estimated at 4% to 6%, may be as great as 10% by 1965. With the demand for food not expected to increase as rapidly as output, farm price prospects of 75% to 80% of parity were forecast.

Dr. G. B. Wood



A. K. Davis



W. Harold Brenton



#### Proceedings Available

The entire Proceedings of the National Agricultural Credit Conference are being printed in booklet form and one free copy will be mailed to each of the registered delegates. Others may obtain copies of the Proceedings by remitting \$2.50 for each copy ordered from the Agricultural Commission of the American Bankers Association, 12 E. 36th Street, New York 16, N. Y.

Assistant Secretary of Agriculture Don Paarlberg pointed out these technological changes often impose real hardships on farm people and bankers have a responsibility to help guide the impacts of these changes. He predicted that the family farm will survive but to do so it must adapt to these changes. The family farm has faced many other crises in the last 100 years, but its adaptability has enabled it to survive each change. If freedom in agriculture is to be maintained, in the opinion of Dr. Paarlberg, the family farm must be permitted to become larger and to use more capital.

### A Lucrative and "Wide Open" Field

The vice-president and director of tractor sales of Allis-Chalmers of Milwaukee, William J. Klein, suggested that farm machinery financing offered a lucrative and "wide open" field for correspondent bank service. It was his opinion that big city banks could provide a real service by offering country banks a sound plan of farm machinery financing. City banks would take a substantial participation. He reported this was being done very successfully in some sections of the country.

Lee P. Miller, vice-president of the American Bankers Association from Louisville, Ky., urged bankers to provide credit services which will help family-type farms maintain efficient and profitable management. This may require extensive use of "correspondent-type participation loans" to meet the needs of big agriculture and business.

National 4-H Club Foundation held a breakfast during the conference, with International Farm Youth Exchange Delegates speaking on their overseas experiences. *Left to right, Edgar T. Savidge, deputy manager, A.B.A., and secretary, Agricultural Commission; Grant A. Shrum, National 4-H Club Foundation; J. Earl Coke, vice-president, Bank of America, San Francisco; and Mrs. Lorraine Weier, IFYE delegate*



### Trends in Food Buying

The author was one of the principal speakers at the Agricultural Conference and he made some very enlightening observations on "What Will Farmers Sell in 1965?" Brief excerpts from Dr. Wood's remarks follow:

"In many large cities, a half dozen firms do as much as two-thirds of the food business. The 'new' food store stocks as many as 6,000 items, with competition for shelf space keen. Private brands controlled by the food store are fighting a winning battle with national labels on food shelves and in the food cabinets.

"Such mass distribution is leading to buying on specification. The supply end of the food firm is exerting more and more control over farm output.

"Contracting is providing a stable

forward price for food buyers for as much as five years . . . It takes some risk out of farming—a farmer can know his price or margin and how much he can sell before producing."

Dr. Wood foresaw an increase in the demand for food between now and 1965. "Per capita use of non-food will be up about 4% by 1965, which will require an increased farm output of 11%," he said. "Various other consumption economists suggest, however, that the per capita increase in food consumption may not be as great as this estimate."

Dr. Wood noted that there is no doubt that "the supply of food by 1965 will be abundant if the technological revolution in agriculture continues, and such rapid developments are expected to continue."

The need for more agriculturally trained men to staff top positions in rural banks was stressed by W. Harold Brenton of Des Moines, a past president of the A.B.A. His plan for developing top personnel with an understanding of a rural community's problems covered three main points:

"(1) Hunt and select the type of man you want.

"(2) Pay the price, or you can't attract the kind of man you want and keep him with you.

"(3) Train, train, train—until he learns how to train himself and to train others to follow."

### Credit Situation Reviewed

Monetary policies and Government lending activities were reviewed by nationally recognized authorities. Problems of economic stability and of meeting inflationary pressures were of primary importance.

The agricultural credit situation was reviewed by Harry W. Schaller, chairman of the Agricultural Commission of A.B.A. The recent survey of bankers representing every county of the nation disclosed several favorable factors:

"(1) Repayments and delinquencies remain on a generally sound basis.

"(2) A larger proportion of bankers indicated less pressure to finance a short-term debt with long-term loans compared to a year ago.

"(3) More bankers reported an increase in farm deposits than reported a decrease from a year ago.

"(4) Longer repayment programs for appropriate investments are 'catching on.'

"(5) Improved weather conditions have reduced credit problems in many communities."

Some causes of concern were also found:

"(1) It appears as though tight money, in the latter stages of development, has finally caught up with the rural areas.

"(2) The need for longer repay-

(CONTINUED ON PAGE 123)

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in office furniture  
is being done with **WOOD**



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WITH FRIENDLY WOOD

Out of warm, friendly, quiet, individual wood—today's designers have created office furniture with the spirit of tomorrow. The new wood designs satisfy widely varying aesthetic and functional requirements. Replacing *old* desks and chairs? Equipping *new* space? It's better business to do it with wood. Let your dealer demonstrate.

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**WOOD OFFICE FURNITURE INSTITUTE**  
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In the interest of better use of wood office furniture, the following companies have contributed to the preparation of this message:  
Alma Desk Company, High Point, N. C. • Boling Chair Company, Siler City, N. C. • Gregson Mfg. Company, Liberty, N. C.  
Hoozier Desk Company, Jasper, Ind. • Imperial Desk Company, Evansville, Ind. • Indiana Chair Company, Jasper, Ind.  
Indiana Desk Company, Jasper, Ind. • Jasper Chair Company, Jasper, Ind. • Jasper Desk Company, Jasper, Ind. • Jasper  
Office Furniture Company, Jasper, Ind. • Jasper Seating Company, Jasper, Ind. • The Leopold Company, Burlington, Iowa  
The B. L. Marble Chair Company, Bedford, Ohio • Myrtle Desk Company, High Point, N. C. • The Taylor Chair Company,  
Bedford, Ohio • Thomas Furniture Company, High Point, N. C.

# The New Look in Agriculture

EARL I. BUTZ

DR. BUTZ, *Dean of Agriculture, Purdue University, Lafayette, Ind., recently completed a 2-year stint in Washington, D. C., as Assistant Secretary of Agriculture. This article is based upon an address before a luncheon of the National Press Club in Washington.*

**A** TRANSFORMATION is taking place among us which is changing the thinking and actions of a vast segment of our population. The "country hick" and the "city slicker" have virtually disappeared as prototypes on the American scene. The line of demarcation of people living in rural areas and those in urban areas is fast becoming obliterated.

Cultural and social patterns are being changed in every section of our country by the population shifts that are taking place. Our modern science and technology have made it possible for the city to move to the country and for the country to move to the city. Our countryside is becoming "rurbanized."

In this process of "rurbanization" the elements of rural and urban living are being blended together. The city limit sign no longer means the same as it did a generation ago. It is now just a tax boundary—just a legal dividing line. It is no longer a cultural boundary, a recreational boundary, an economic boundary, a social boundary, or an educational boundary. Today the same kind of people live on one side of that city limit sign as on the other. And they have about the same standards and patterns of living.

## "Rurbanization" Long in Making

The "rurbanization" of America has long been in the making. Only in recent years has it come to the fore as a powerful influence reflecting a great change taking place in our way of life.

When politicians and policymakers have the courage to recognize the inevitability of the new look in American agriculture, we may see progress in the solution of our quarter-century-old farm problem. Until that time we will probably continue to treat symptoms.

The science and technology of modern agriculture is advancing so rapidly in the present decade that our farm families and rural communities often find it difficult to make the kind of economic and sociological adjustments that are required.

Adjustments have always had to be made in American agriculture, but because these adjustments in previous generations were spread through several decades, the farm families were able pretty well to "take them in their stride."

It is not easy for farm families so quickly to change their methods of production, their scale of operation, or even to shift vocations. It is more difficult for a farm family to shift vocation than for an industrial worker. However, farm sons and daughters as well as farmers themselves have been shifting to nonfarm vocations in this country for generations. It was in this manner that

industrial America grew. Only the rapidity of the present shift is new.

The impact of these developments on the whole agricultural industry is tremendous. These are days when farmers and businessmen alike, like Alice in Wonderland, must "run like the dickens just to stay where they are."

## New Look Characteristics

The significant changes taking place in agriculture may be grouped under four general headings:

(1) *Capital requirements for agriculture are growing, in total, per farm, and per man.* On January 1, 1957, our agricultural plant had total assets of \$177-billion. This is a record high figure.

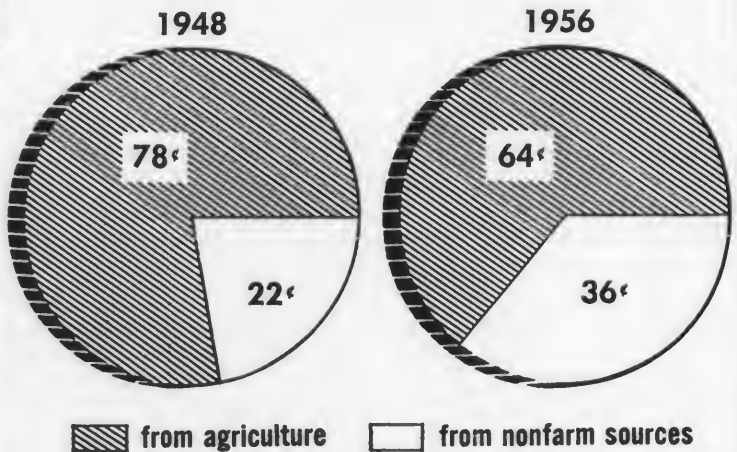
About 89% of this represents owners' equities.

Total investment per farm in the United States now averages \$36,000.

(CONTINUED ON PAGE 88)

## THE FARM INCOME DOLLAR

Growing role played by nonfarm income in total income of farm operator families



Source: U.S. Dept. of Agriculture

Prepared by Institute of Life Insurance





# BANK OF MONTREAL

Founded in 1817

## CONDENSED GENERAL STATEMENT

October 31st 1957

### ASSETS

Cash on hand and due from banks and bankers . . . . .	\$ 282,461,992
Cheques and other items in transit, net. . . . .	188,223,596
Government of Canada and Provincial Government Securities, at amortized value . . . . .	657,133,040
Other securities, not exceeding market value . . . . .	215,542,269
Call Loans . . . . .	132,921,037
	<u>\$1,476,281,934</u>
Commercial and other loans . . . . .	1,173,987,527
Mortgages and hypothecs insured under the National Housing Act, 1954 . . . . .	130,727,883
Bank Premises . . . . .	36,127,980
Customers' liability under acceptances, guarantees and letters of credit, as per contra . . . . .	47,014,144
Other Assets . . . . .	1,942,974
	<u>\$2,866,082,442</u>

### LIABILITIES

Deposits . . . . .	\$2,632,251,291
Acceptances, guarantees and letters of credit . . . . .	47,014,144
Other Liabilities. . . . .	13,642,676
Capital authorized — 7,500,000 shares of \$10 each. . . . .	<u>\$ 75,000,000</u>
Capital paid-up — 5,354,358 shares — issued and fully paid . . . . .	\$ 53,543,580
Payments received in advance of call dates on account of 45,642 shares not yet issued . . . . .	143,252
	<u>\$ 53,686,832</u>
Rest Account . . . . .	117,373,665
Undivided Profits . . . . .	2,113,834
	<u>\$ 173,174,331</u>
	<u>\$2,866,082,442</u>

### NOTE:

The rest account has been increased by the transfer of \$1,500,000 from tax-paid reserves and by \$17,373,665 received as premium on capital stock subscriptions.

Completion of the present stock issue will result in paid-up capital of \$54,000,000 and rest account of \$118,000,000.



### BOARD OF DIRECTORS

Honorary President  
HUNTLY R. DRUMMOND

President  
GORDON R. BALL

Executive Vice-President  
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## Agriculture's New Look

(CONTINUED FROM PAGE 86)

This includes many small part-time or subsistence farms. Investment per commercial farm is much higher. It is not uncommon for family commercial farms in the Corn Belt, for example, to have a total investment in excess of \$100,000. On many commercial family farms the investment per worker runs up to \$50,000 or higher. This compares with an average investment per industrial worker of around \$14,000. This means it takes three or four times as much capital investment to create one agricultural job on many of our family commercial farms as it does to create a typical industrial job in our cities.

As agricultural science continues to advance, it is inevitable that the business units in agriculture will get bigger and bigger with still larger capital required. This trend cannot be stopped. Nor should it be. We must adjust our farm institutions and our farm programs to it, so as to capture such benefits as will flow from it.

(2) *The number of farms will decrease.* Machines will continue to displace men on our farms. We will produce more with fewer farms and fewer workers than at present. This is not a new trend. It has been going on for decades. It has been accelerated in the present decade.

### Farm Population

At the present time we have about 4,800,000 farm units in the United States. Slightly less than 2,000,000 of these are what we commonly call commercial family farms. The remainder are in effect part-time or quasi-subsistence farms. They contribute relatively little to the commercial flow of food and fiber in this country. Indeed, in 1954, almost 2,700,000 of our farms were classified as small-scale, part-time and residential, on the basis of selling less than \$2,500 of products per year. These 2,700,000 farms sold only 9% of the total farm marketings that year. On 1,500,000 of these farms the operators worked off the farm 100 days or more, or the income of the family from off-farm sources exceeded sales from the farm. The number of part-time and residential farms falling in this classification

has been increasing markedly in recent years. Likewise, the number of small-scale farms with farm sales less than \$2,500 where the operator depends primarily on farm income decreased 59% between 1940 and 1955.

Most of the families on these 2,700,000 small-scale, part-time, or residential farms get little or no direct benefits from price support and commodity stabilization programs. They are almost completely by-passed by the expensive commodity price support programs the Government operates. Likewise, the soil bank doesn't have much to offer them. By the same token, their hope does not lie in easier and less expensive credit.

A large share of these 2,700,000 farm units, although classified in agriculture, are operated by farm people who really need more opportunity to improve their situation either through enlargement of the individual farm business or by additional employment off the farm. Many of these people are so situated that the solution of their problem must ultimately be found outside agriculture. Indeed, for all practical purposes, many of them have already left agriculture. We just haven't stopped counting them. They are increasingly turning to off-farm employment as their principal source of income.

We must help the marginal farmer and the operator of an undersized acreage to become a better and more efficient farmer, or to find opportunity in other fields where he is better suited and where his income opportunities are larger.

### Rural Development Attacks Root of Farm Problem, Not Symptoms

The Rural Development Program, now moving forward in some 30 states in cooperation with the Agricultural Extension Service and other educational and community organizations, is a farm program which attacks the root of the farm problem rather than merely treating symptoms. It is designed to help those families who for all practical purposes have left agriculture to adjust to a more satisfactory living in other jobs—often agriculturally related jobs.

In this connection, it is significant to note that while the number of people directly engaged in agricul-

ture has been shrinking rather rapidly over the past 10 years, the share of our population engaged in the total job of supplying food and fiber to our population has remained relatively constant at about 37%. This includes people working on farms, people supplying farmers, and people processing and marketing food and fiber. During the past 10 years there has been a shift within that 37%, with fewer workers on farms, but with more workers supplying farmers with goods and services and more workers processing and distributing our food and fiber. This shift will continue. Farm programs whose effect is to de-emphasize this shift will impede economic progress in our country as well as in agriculture.

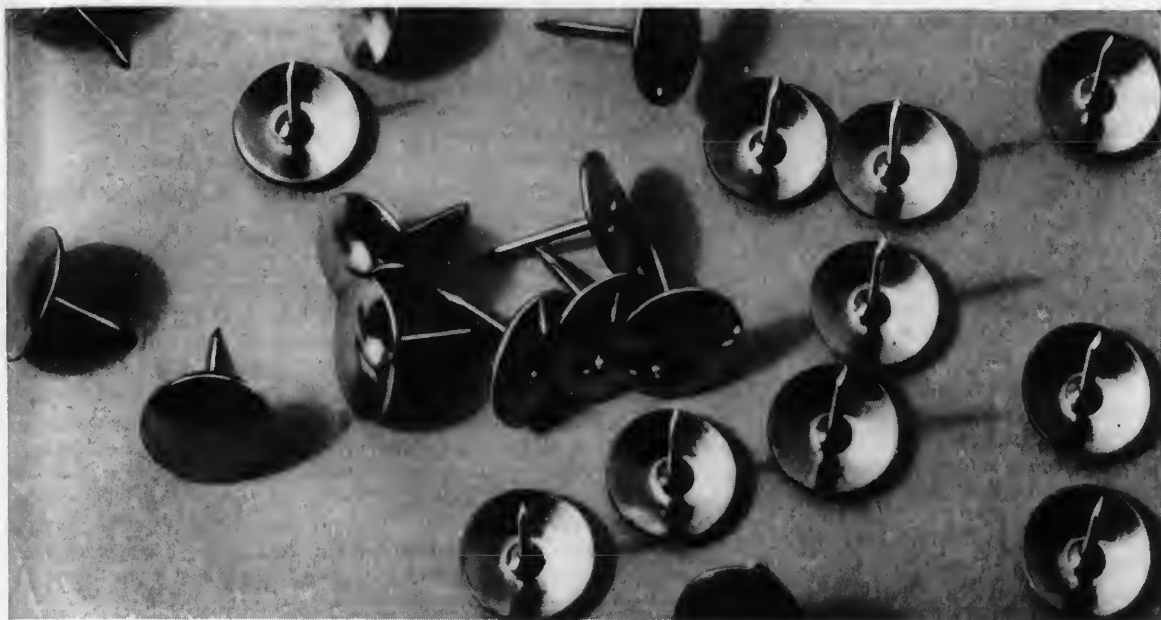
### Square Pegs in Round Holes

There are some people who just weren't cut out to be farmers, just as other people don't make successful machinists, carpenters, or salesmen. It is not at all coldblooded to suggest to a farmer that he seek other employment if he can't make a good living in farming. It is likely coldblooded to attempt through legislative programs to keep him tied to a farm which everyone knows is inadequate to provide a decent living for himself and his family. People in other jobs and in other professions take this kind of healthy competition in their strides. And they usually improve their lot in life. Many low income farmers can and will do the same if they are given the opportunity, and if the politicians will stay out of their hair.

In many areas of the country, there is a job waiting in industry, a job with good pay, for the farmer who finds that farming is not his long suit. And if his children want to go into engineering, into medicine, into teaching, or into the skilled crafts in the city, they can be sure that a position awaits them when they finish school. There is nothing dishonorable about this kind of vocational shift. It's been taking place ever since the founding of the nation. Without it, our high level of living would have been impossible. We would have been a nation of peasants, with each family tied to its small acreage of land. We would have advanced little beyond the current status of major agrarian popu-

(CONTINUED ON PAGE 90)

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## Agriculture's New Look

(CONTINUED FROM PAGE 88)

lations in the Near East and the Far East.

In 1910 we had 32,000,000 people on farms, representing 35% of our total population. In 1940 we had 30,000,000 people on farms, but only 23% of our total population. At the present time the number of people on farms is down to about 22,000,000, or 13% of our total population. It has been predicted that by 1975, farm population may be around 17,000,000, or about 7.5% of the total of around 228,000,000.

### Worker Production Will Be Doubled

This will mean that production per worker on our farms two decades hence must be more than twice as high as it is now. And it's now twice as high as it was less than two decades ago. This kind of development must inevitably mean higher living standards for those who man our farms and produce our food and fiber.

These commercial family farms will increasingly take on the characteristics of a business organization. The percentage of gross receipts consumed by production expenses will rise even higher than today. At the present time about 65 cents of each dollar the farmer receives is spent for goods and services which he requires to run his business. This does not include his wages to himself. In earlier periods, expenses consumed less than 50 cents out of the dollar. A decade or two hence expenses will consume more than 65 cents of the dollar. The farm will operate on a narrower margin per unit of output. This means that volume must increase in order to increase profits.

This trend suggests that farms are becoming more like other businesses in that they acquire more and more of their goods and services rather than having them produced on the farm or consumed there. In a sense, therefore, the farmer becomes the manager of a manufacturing operation, as he puts together packages of technology which have been processed on a custom basis by others.

One of the best illustrations of this, is of course, the highly integrated broiler industry.

(3) *The trend toward integration will spread.* Nearly everyone is familiar with the industrial integration which characterizes production of poultry meat in this country. Poultry raising is no longer a sideline which enables the farm housewife to earn a little grocery money. It's now big business. The large-scale and efficient organization of production, processing, and distribution have made this striking change possible.

But poultry is not alone in this field. It's just led the procession. We find similar illustrations in some of our canning and freezing vegetable crops. Large animal production in this country is by no means immune from the possibility of integration. Indeed, the pressure is in that direction. Production of meat animals to market specifications is just around the corner. Advances in genetics and nutrition, both for plants and animals, and advances in environmental physiology will make this possible. This means that we will have predetermined performance built into breeding animals just as is now the case with crops.

If and when this kind of integration begins to hit the large animal field, it will precipitate sociological and economic adjustments that will be difficult. We will need to study the organization of our production units carefully and steer our farm policy course wisely in order both to minimize the adverse impacts and to maximize the favorable aspects of this development.

### Intermingling Farm, City Folk

(4) *Our countryside will be "rurbanized."* Our modern science and technology have made it possible for farm and city folk to live along-

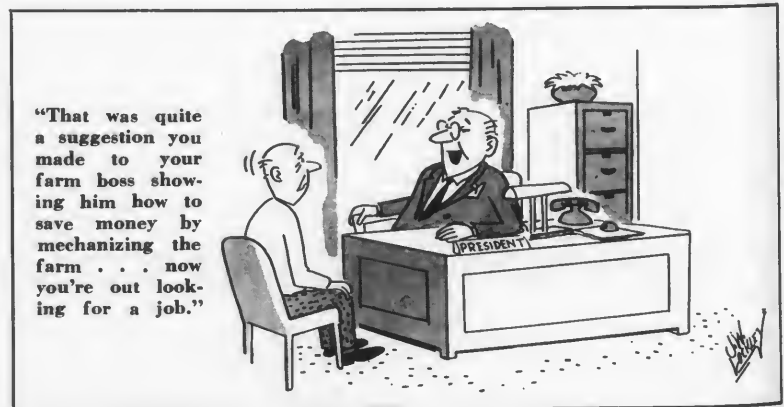
side each other in our newly "rurbanized" communities. The effect of the resulting intermingling has been that there is no longer a farm population and an industrial population, especially within 40 or 50 miles driving distance of our big industrial centers, and that includes practically the whole eastern and central parts of the country.

Today the commercial farmer not only takes on the financial aspects of a big businessman, but because he now associates with businessmen and laborers who live nearby him in the country and whose children go to the same school, increasingly this farmer is beginning to think like they do.

For many years in our city communities the doctor has lived beside the lawyer, beside the machine operator, beside the bricklayer, beside the school teacher, and each has lost his vocational identity as a member of his community. So it will tend to be with our commercial farmers in the newly "rurbanized" communities. The farmer-businessman will live beside the urban businessman, the urban industrial worker, and the urban professional man, with a decreasing emphasis on vocational differences among them.

Ultimately they will lose their vocational identity as members of the community. Farming will no longer be a "way of life," but a way of making a living," just the same as other business enterprises.

When politicians and policymakers have the courage to recognize the inevitability of the new look in American agriculture, we may look for progress in the solution of our quarter-century-old farm problem. Until that time we will probably continue to treat symptoms.



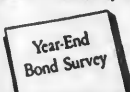
# New Issues · 1957

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Amount of Issue	Tax-Exempt	Amount of Issue	Corporate	Underwriting Interest
\$ 15,000,000	ALLEGHENY COUNTY SANITARY AUTH., PA. Var. Rates Rev. Bonds, Due 1961-96	\$ 29,000,000	APPALACHIAN ELECTRIC POWER COMPANY First Mtge. Bonds, 4½% Series due 1987 . . . . .	\$ 3,550,000
24,180,000	BALTIMORE, MD.†	14,400,000	CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD Equipment Trusts, Series VV & WW, Var. Rates Certificates, Due 1957-73 . . . . .	5,850,000
20,000,000	BOSTON, MASS. Var. Rates Notes, Due 1957-58 (4 issues)	25,000,000	THE CINCINNATI GAS & ELECTRIC COMPANY First Mtge. Bonds, 4½% Series Due 1987 . . . . .	8,250,000
300,000,000	CALIFORNIA, STATE OF†	50,000,000	DUKE POWER COMPANY 4½% Sinking Fund Debentures due Sept. 1, 1982 . . . . .	7,850,000
15,000,000	CHICAGO BOARD OF EDUCATION, ILL.†	15,000,000	FLORIDA POWER & LIGHT COMPANY First Mtge. Bonds, 4½% Series due 1987 . . . . .	3,100,000
39,595,000	CHICAGO, ILL.†	20,000,000	GENERAL TELEPHONE COMPANY OF CALIFORNIA First Mtge. Bonds, Series K, Due June 1, 1987 (5%) . . . . .	2,500,000
7,500,000	DADE COUNTY, FLA.†	15,500,000	GEORGIA POWER COMPANY First Mtge. Bonds, 5¼% Series due 1987 . . . . .	5,450,000
20,000,000	DENVER, COLO., CITY & COUNTY OF†	17,000,000	GULF STATES UTILITIES COMPANY First Mtge. Bonds, 4½% Series due 1987 . . . . .	5,800,000
7,900,000	DU PAGE COUNTY H/S/D No. 88, ILL.†	40,000,000	HOUSTON LIGHTING & POWER COMPANY First Mtge. Bonds, 4½% Series due 1987 . . . . .	7,000,000
10,000,000	EAST BATON ROUGE PARISH S/D No. 1, LA.† Var. Rates Bonds, Due 1958-77	40,000,000	ILLINOIS BELL TELEPHONE COMPANY First Mtge. 4¼% Bonds, Series E, Due March 1, 1988 . . . . .	5,150,000
6,900,000	EL PASO COUNTY S/D No. 11, COLO.†	19,000,000	METROPOLITAN EDISON COMPANY First Mtge. Bonds, 4½% Series due 1987 . . . . .	4,350,000
10,000,000	HOUSTON, TEX.†	40,000,000	MICHIGAN BELL TELEPHONE COMPANY Thirty-Five Year 4¼% Debentures Due Nov. 1, 1992 . . . . .	5,150,000
30,000,000	JACKSONVILLE, FLA.†	30,000,000	MICHIGAN WISCONSIN PIPE LINE COMPANY First Mtge. Pipe Line Bonds, 6¼% Series due 1977 . . . . .	2,450,000
18,000,000	JACKSONVILLE, FLA.†	11,880,000	NORFOLK AND WESTERN RAILWAY EQUIPMENT TRUSTS Series A & B 3¾% & 4¼% Cfs. Due 1957-72 . . . . .	6,330,000
52,000,000	MICHIGAN, STATE OF† (2 issues)	25,000,000	OHIO POWER COMPANY First Mtge. Bonds, 4½% Series due 1987 . . . . .	6,300,000
21,002,000	MICHIGAN SPEC. TAX REV. BONDS, Due 1958-77	20,000,000	OKLAHOMA GAS AND ELECTRIC COMPANY First Mtge. Bonds, Series due 1987, 4½% . . . . .	5,800,000
21,002,000	NASSAU COUNTY, N.Y.†	95,000,000	PACIFIC GAS AND ELECTRIC COMPANY† First & Ref. Mtge. Bonds, Ser. AA & BB, 4½% & 5% Due 1986 & 1989 . . . . .	9,175,000
50,053,800	NEW YORK SCHOOL DISTRICTS Var. Rates Bonds, Due 1957-87 (21 issues)	12,000,000	PACIFIC POWER & LIGHT COMPANY First Mtge. Bonds, 5¾% Series due 1987 . . . . .	1,600,000
16,800,000	NEW YORK CITY HOUSING AUTHORITY, N.Y.† 2½% Bonds, Due 1958-1997	90,000,000	THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY Twenty-Three Year 5½% Debentures Due Aug. 1, 1980 . . . . .	6,650,000
93,000,000	OHIO, STATE OF† (3 issues)	12,000,000	PUBLIC SERVICE COMPANY OF OKLAHOMA First Mtge. Bonds Series F, 5¼% Due Feb. 1, 1987 . . . . .	8,700,000
60,000,000	OHIO, STATE OF†	20,000,000	PUGET SOUND POWER & LIGHT COMPANY† First Mtge. Bonds, 6¼% Series due 1987 . . . . .	2,550,000
8,000,000	OMAHA PUBLIC POWER DIST., NEBR. Var. Rates Rev. Bonds, Due 1959-87	15,555,000	SEABOARD AIR LINE RAILROAD EQUIPMENT TRUSTS Series Q & R, 4 & 4¼% Cfs. Due 1957-72 . . . . .	7,530,000
25,000,000	OREGON, STATE OF†	125,000,000	SEARS ROEBUCK ACCEPTANCE CORP.† 4¼% & 5% Debentures Due 1972, 1977 & 1982 . . . . .	10,490,000
29,500,000	PHILADELPHIA, PA.†	70,000,000	SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY 29 Year 5% Debentures Due June 1, 1986 . . . . .	8,650,000
12,000,000	PHILADELPHIA SCHOOL DIST., PA.†	80,000,000	SOUTHERN CALIFORNIA EDISON COMPANY First & Ref. Mtge. Bonds, Ser. I & J, 4¼% & 4½% Due 1982 . . . . .	15,250,000
6,600,000	PITTSBURGH, PA.†	35,000,000	SOUTHERN CALIFORNIA GAS COMPANY First Mtge. Bonds, Series C, Due 1983 (5¼%) . . . . .	5,200,000
108,800,000	PORT OF NEW YORK AUTHORITY†	21,600,000	SOUTHERN PACIFIC COMPANY EQUIPMENT TRUSTS Series WW, XX & ZZ, 4¼% & 4½% Cfs. Due 1958-72 . . . . .	10,200,000
10,035,000	PUERTO RICO HOUSING AUTHORITY†	100,000,000	SOUTHWESTERN BELL TELEPHONE COMPANY Thirty-Five Year 4¼% Debentures, Due Oct. 1, 1992 . . . . .	25,150,000
17,375,000	ST. LOUIS HOUSING AUTHORITY†	75,000,000	TENNESSEE GAS TRANSMISSION COMPANY† First Mtge. 5¼% Bonds & 6% Debentures, Due 1977 . . . . .	4,397,000
20,000,000	SAN ANTONIO, TEX.†	15,000,000	UTAH POWER & LIGHT COMPANY First Mtge. Bonds, 5¼% Series due 1987 . . . . .	6,150,000
10,000,000	SAN DIEGO SCHOOL DIST., CALIF.†	20,000,000	VIRGINIA ELECTRIC AND POWER COMPANY First & Ref. Mtge. Bonds, Series N 4½%, Due 1987 . . . . .	2,650,000
23,610,000	SAN FRANCISCO, CALIF., CITY AND COUNTY OF, Var. Rates Bonds, Due 1958-72	20,000,000	WEST PENN POWER COMPANY First Mtge. Bonds, Series Q, 4½% Due July 1, 1987 . . . . .	3,850,000
10,000,000	SOUTH CAROLINA, STATE OF†	30,000,000	WISCONSIN TELEPHONE COMPANY Thirty-Five Year 4½% Debentures Due July 1, 1992 . . . . .	5,500,000
82,703,625	WASHINGTON, STATE OF† (3 issues)	96,700,000	ADDITIONAL PUBLIC UTILITY BONDS (16 issues)	37,291,200
41,825,000	WICHITA, KAN.†	86,740,000	ADDITIONAL EQUIPMENT TRUST CERTIFICATES AND TERMINAL BONDS . . . . . (26 issues)	37,165,000
205,118,360	ADDITIONAL TAX-EXEMPT BONDS (122 issues)			

Descriptive circulars or prospectuses, where available, and current quotations will be supplied for any of these securities upon request.

\*To December 31, 1957. † Issue headed jointly by Halsey, Stuart & Co. Inc. and others. All other issues were headed by Halsey, Stuart & Co. Inc. alone. Not included in these compilations are issues in which Halsey, Stuart & Co. Inc. participated only as a member of an account.



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# NEWS *for Country Bankers*

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

## Farming-Industry Talks

NATIONALLY known industrial and agricultural leaders challenged 100 bankers and western North Carolina leaders to increase income through (1) attracting new factory payrolls to bring agriculture and industry into better balance, (2) greater diversification and specialization of agricultural and development of more marketing and processing facilities for farm products, and (3) regional cooperation in all these endeavors.

The occasion was a Conference on Agriculture and Industry in Asheville, N. C., sponsored by the Wachovia Bank and Trust Company of Winston-Salem. The theme of the meeting was "Looking Ahead in Western North Carolina," which was the topic of an address by Brandon P. Hodges, assistant secretary, The Champion Paper and Fibre Company, Canton, N. C.

"Opportunities in Agriculture" and "Opportunities in Industry" were the themes of two panel discussions, moderated, respectively by vice-president Wayne A. Corpening and vice-president E. Lyndon McKee, Jr.

Board Chairman Archie K. Davis concluded the formal session with an address on "Regional Development." A social hour and dinner, followed by a theatre party to see "Holiday on Ice," concluded the day's activities.

## Bank Pushes Soil Test Plan

IN order to induce more farmers in its territory to test their soil and thereby make efficient use of commercial fertilizer, the First National Bank of Dickinson, N. Dak., is supporting a soil sampling program. It is a feature of First National's new rural-urban program.

Ralph Roshau, who gathered and mailed most of the samples, traveled

an area extending 35 miles north of Dickinson, 40 miles west, almost 100 miles south, and 35 miles east. He personally dug the samples, getting instructions from the county agricultural agent on how to take a good, composite soil sample. He also tested for lime, making the test at the farm. Sample bags and necessary forms from the college were supplied to furnish data on each field sampled. The bank paid the mailing costs to North Dakota Agricultural College in Fargo and the \$1 testing fee for each sample analyzed. The reports are mailed directly to farmers for use in making proper applications of fertilizers.

Before the service got under way, the bank publicized it in newspaper advertisements and via radio and TV commercials. Requests for samples poured in rapidly. Mr. Roshau estimates he took in the neighborhood of 800 samples, about a tenth of the total number of samples tested by the Fargo laboratory for the entire state last year.

The soil tests enable farmers to know exactly what kind of fertilizer to apply and the proper amounts for each field. The increased use of fertilizer, plus the good rains of last

summer, boosted grain yields. It proved to be a good program for the bank, too. It enabled Mr. Roshau to become acquainted with a large number of farmers and a number applied for checking accounts.

## Indiana's Scholarships

IN its promotion designed to stimulate interest in bank participation in the Bankers Winter Course Scholarship Program at Purdue University, Lafayette, the Indiana Bankers Association recently sent a memorandum and three enclosures to members. The enclosures included the Purdue Winter Course in Agriculture catalog, Indiana Bankers Scholarship for Agriculture Short Course bulletin outlining the scholarship plan and course of study, and an application for admission to the 8-week course starting on January 6.

This is the fifth year the IBA has sponsored the scholarship program.

## The Grange and REA Credit

SPEAKING on "Rural Credit" at the 91st annual session of the National Grange, Master Herschel D. Newsom pointed out that the United (CONTINUED ON PAGE 94)

Among those attending and participating in the Wachovia Bank and Trust Company's Conference on Agriculture and Industry were, left to right, Senior Vice-president J. Gerald Cowan (Asheville office); W. D. Halfacre, executive vice-president, Bank of North Wilkesboro; Dr. D. W. Colvard, dean, School of Agriculture, North Carolina State College, Raleigh; and Atwell Alexander, vice-president, Northwest N. C. Development Association, Inc., Stony Point





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(CONTINUED FROM PAGE 92)

States Treasury is forced to charge a rate of 3.75% on money made available to practically all Government agencies with the single exception of the Rural Electrification Administration.

"In this case," he said, "by reason of the Pace Act, which was passed by the Congress at the urging of the Grange in 1944, that interest rate is still legislatively set at 2%. The Grange has consistently supported this 2% rate, even as recently as a year ago. I would urge that this position be re-examined carefully. It has been a defensible position to about the present time. I doubt if it is a defensible position on new loans or even on existing loans now. The computed annual interest rate on marketable Treasury issues just a month ago today stood at 2.877%."

Continuing, Mr. Newsom stated that "on REA loans for the purpose of providing area coverage, I believe most of us would stand ready to defend the lowest possible rate of interest for the purpose of bringing electrical service to those Americans who are relatively isolated, but we are currently having a very serious by-product of the 2% rate.

"It has traditionally been the position—and I would earnestly urge that we continue to maintain the position—that we must safeguard the right of our Rural Electric Cooperatives to secure credit to finance generation and transmission facilities:

(a) where no adequate and dependable source of power is available to meet consumers' needs, or

(b) where the rates offered by existing power sources would result in a higher cost of power to consumers than the cost from facilities financed by REA.

This very important "right" can best be safeguarded, in my opinion, by supporting a revision interest rate established under the Pace Act so that such generating facility loans will be subject to a rate that is consistent with Government's own cost of money."

## Yields, Profits Influences

**S**PEAKING on the "Dollars and Sense of Rotation and Fertilization" at the Pennsylvania Bankers Association's Agricultural Clinic, Frederick A. Hughes, farm man-



Pennsylvania Bankers Association officials greet Miles Horst, left, assistant to the United States Secretary of Agricultural, Washington, and former Secretary of Agriculture for Pennsylvania, at the opening of the PBA's Group IV Agricultural Clinic in Williamsport. PBA President O. Albert Johnson, vice-president and treasurer, Hamlin Bank & Trust Co., Smethport, center, and PBA Group IV Chairman Francis L. Shaffer, executive vice-president, The First National Bank of Sunbury, right

agement specialist, College of Agriculture, Pennsylvania State University, called attention to five factors which he said "will influence crop yields and the resulting profits."

These factors are "(1) level of fertilization; (2) rotations followed; (3) management practice; (4) costs of producing the crop; and (5) the utilization of the crop."

Mr. Hughes summarized his remarks as follows:

(1) Many Pennsylvania farmers need to take soil tests and follow a recommended fertility program.

(2) Many Pennsylvania farmers will have to switch to rotation that will put 50% of their land in sold crops.

(3) Investment in machinery will need to be studied closely to keep overhead costs per acre low.

(4) Crops produced must be fed through high quality livestock.

(5) Good management practices must be followed to maximize returns from heavy fertilization.

## Progress Tied to Dairying

**D**AIRY farming has many values other than dollars, Joe S. Taylor, head, Dairy Science Extension Section, College of Agriculture, The Pennsylvania State University, University Park, pointed out in an address before the Pennsylvania Bankers Association's Group IV Agricultural Clinic. "Man's progress and the dairy industry are closely related," he said, for these reasons:

"(1) Milk is man's most important and most nearly perfect food.

"(2) Dairy farming is a grassland, soil building program, not one that depletes the soil.

"(3) The dairy cow is the most efficient user of crops grown under a grassland program.

"(4) Dairying is a stable occupation which provides income throughout the year and over a period of years.

"(5) Dairying is a diversified farm enterprise where many crops are produced and then converted into milk by the cow."

## Cattle Feeding by Contract

**I**N Illinois each fall we have what we call 'Livestock Outlook Conferences'—held in every county in the state," said Dr. William G. Kammlade, associate director of Extension Services in Agriculture, University of Illinois, at the First National Bank in St. Louis' annual conference of bank correspondents. "The livestock producers and feeders are given the general over-all prospects for making a profit or sustaining a loss from the production or feeding of livestock," he said.

Dr. Kammlade made some interesting remarks about cattle feeding by contract, as follows:

"Cattle feeding prospects are good. This does not mean that everyone who buys cattle and feeds them will make money. It does mean that the chances of making some money on the part of many operators are good. Cattle feeding is getting into the hands of large operators. This will

(CONTINUED ON PAGE 124)



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*All Puerto Rican Banks  
Announce Par  
Exchange on Checks*

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**E**FFECTIVE January 1, 1958, all exchange charges are eliminated in both directions between Puerto Rico and the United States.

The banks of Puerto Rico announced that arrangements had been made with the Federal Reserve Bank of New York whereby all checks drawn on them will be payable at par whenever routed through the New York Fed. Also, checks on mainland U.S. banks received for deposit in Puerto Rico will be accepted without exchange charges.

Aristides Armstrong, president of the Puerto Rico Bankers Association, said: "We are confident that this additional service of the Puerto Rican banks will benefit not only our customers but the business communities of Puerto Rico and the United States. It is felt that this arrangement will contribute to the growing economic development of Puerto Rico and will serve to identify it further with the continental United States."

All checks drawn on the member banks will bear a routing symbol number indicating that they are payable at par through the Federal Reserve Bank of New York.

Members of the Puerto Rico Bankers Association—all the banks on the island—are: Banco Caja de Economías y Prestamos; Banco Credito y Ahorro Ponceño; Banco de San German; Bancò de San Juan; Banco de Ponce; Banco Popular de Puerto Rico; Roig Commercial Bank; The Chase Manhattan Bank of New York; The First National City Bank of New York; Bank of Nova Scotia; and Royal Bank of Canada.

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*Figures don't lie, and that's exactly what makes tailoring so difficult.*

Too often when conscience tries to speak, the line seems to be busy.

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## "Farming for Profit"...unique service to your customers

Doane monthly reports help bankers serve farmers through last-minute analysis of price trends and latest practices to cut costs, boost income.

More and more bankers serving farmers are using "Farming for Profit" as the nucleus of a service-type public relations program to build bank business, as well as a sounder agriculture in their area.

This terse, authoritative, easy-to-read bulletin compresses the thinking of some of our best-informed agricultural brains into money-making, money-saving capsules of information.



Mr. Ralph Eastburn, President, The Iowa State Bank & Trust Company, Fairfield, Iowa

The Iowa State Bank & Trust Company of Fairfield distributes 500 copies of "Farming for Profit" monthly to farm customers and friends. After nearly five years of using this service, Mr. Ralph Eastburn, President, feels it is something his farm customers really appreciate getting.

Leonard Kane, Fairfield, Iowa, farmer says:

"I have been getting 'Farming for Profit' from the bank for some time now. I read every word and appreciate Mr. Eastburn sending it."

Leo Buch, also of Fairfield, has this to say:

"I always get 'Farming for Profit' about the same time each month. I like it because it gives me a lot of information in a small amount of reading time. My four boys who are farming also get it. Seems like a wonderful way for the bank to advertise."

Merrill Bishop, one of the promising young farmers in the Fairfield area, says:

"I get 'Farming for Profit' each month from the bank and like it. I'm just getting started farming here and this additional information is helpful."

**Write today, and see how little it costs to identify your bank with this unique service to farm customers.**

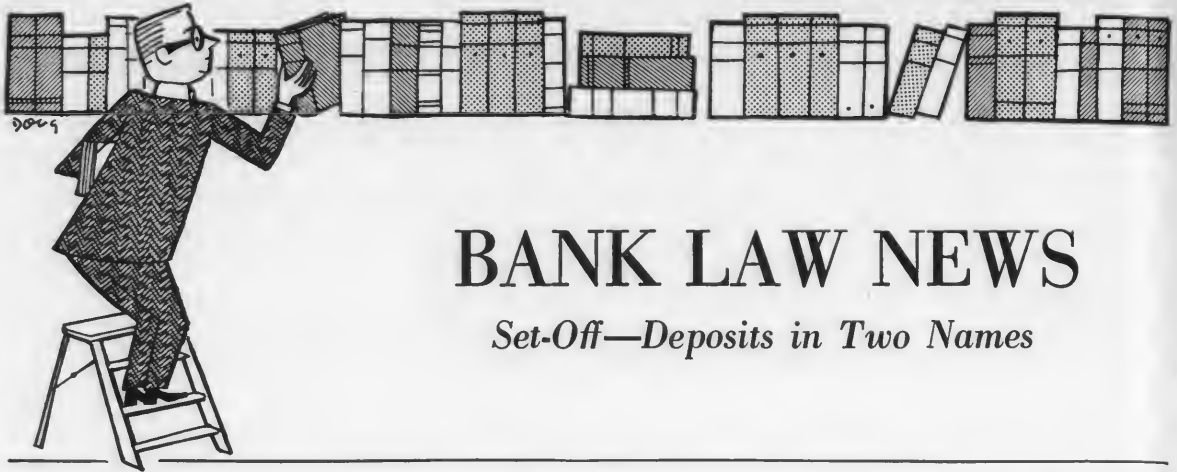
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# BANK LAW NEWS

## Set-Off—Deposits in Two Names

### SET-OFF

**Bank may not set-off depositor's "unmatured demand note" against his account when account is garnished for unpaid Federal taxes.**

A CASE of considerable interest to banks was recently decided by the United States District Court of Nevada.

Action had been brought by the United States against the defendant bank to recover the amount on deposit in a taxpayer's account when a notice of levy for unpaid Federal taxes had been served on the bank. The bank had exercised a claimed right of set-off against the account.

The facts indicated that on June 10, 1955, the taxpayer had an account with defendant bank. He was indebted to the bank on a promissory note, dated April 16, 1955, which provided, in part, as follows: "On Demand; if no demand is made then on August 14, 1955, for value received I promise to pay . . ."

Prior to the execution of the note, the taxpayer had furnished the bank with a financial statement, for the purpose of procuring credit, in which he agreed that if any "writ of execution, garnishment, attachment or other legal process" was served on the bank all obligations of the taxpayer to the bank "shall immediately become due and payable, without demand or notice."

On November 15, 1954, and on March 1, 1955, withholding and social security, and Federal excise taxes, respectively, were assessed against the taxpayer. On June 10, 1955, a director of Internal Revenue served a notice of levy on the bank

covering both assessments. At the time of the service of the levy, the taxpayer was not insolvent.

On June 10, 1955, shortly after the service of the levy, the bank set-off the unpaid balance of the taxpayer's note against his deposit. The bank claimed a right to do so, contending that the note was a demand instrument; that the agreement in the financial statement permitted it to call in all obligations; and that it was also permitted a set-off by Nevada Comp. Laws (1929) §8737, which provides, in substance, that every garnishee may deduct, out of property in its hands, all demands it may have whether due or not.

The court held that the bank could not set-off the note, and granted judgment to the plaintiff. The court ruled that it was not the intention of the parties to the note that it was to be "due immediately upon delivery." The note was to become due on August 14, 1955, unless prior thereto the bank made a demand for payment. No formal demand for payment having been made prior to the service of the notice of levy, the note had not then "matured."

The court also ruled that the Nevada statute was of no help to the bank, stating that on June 10, 1955, when the levy was served on the bank, the deposit was "burdened with the prior existing Federal tax liens." The Government's tax liens are "paramount," and no right under the Nevada statute "could displace the prior tax liens."

The effect of the agreement in the financial statement was not discussed by the court. United States v. Bank of Nevada (Dist. Ct., Nev.,

1957) 155 Fed. Supp. 164. See Opinion 2:17 of the chapter, Attachment, Execution and Garnishment, Volume I of Paton's Digest, page 143, and the Supplement.

### DEPOSITS IN TWO NAMES

**There is no presumption that survivorship interest in two-name account is intended where funds are provided by one depositor.**

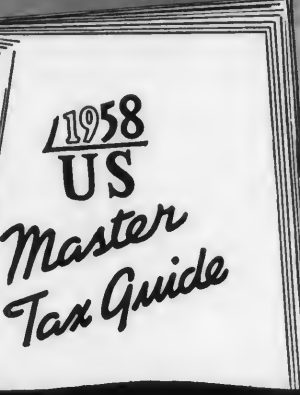
THE intended purpose of the Deposits in Two Names Act was to clear up legal doubts concerning the authority of a bank to pay the survivor upon the death of the co-depositor. This purpose has been effected. Now, suggests the United States Court of Appeals for the District of Columbia, let's get on to legislation clarifying the rights of survivors to such accounts in this jurisdiction.


In a case recently decided by that court, a depositor had three checking accounts. Shortly after his marriage, he had his wife's name added to these accounts and he also established another joint checking account. The signature cards for all the accounts, signed by both parties, recited that they were joint owners "with right of survivorship."

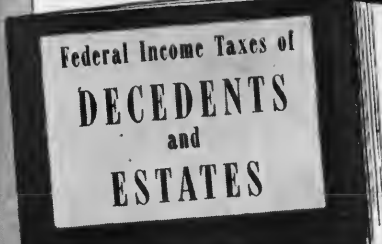
The funds deposited in all of the accounts belonged to the husband, and "with but few, if any, exceptions," withdrawals were made only to pay the husband's expenses.

After the husband's death, his widow withdrew the funds from the

(CONTINUED ON PAGE 98)




**To Hold Old Friends and Make New Ones . . .**  
**CCH BUSINESS AND GOOD WILL BUILDERS**

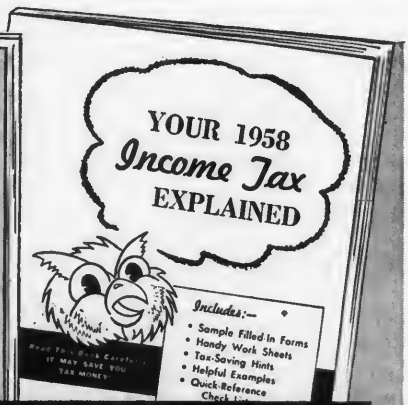
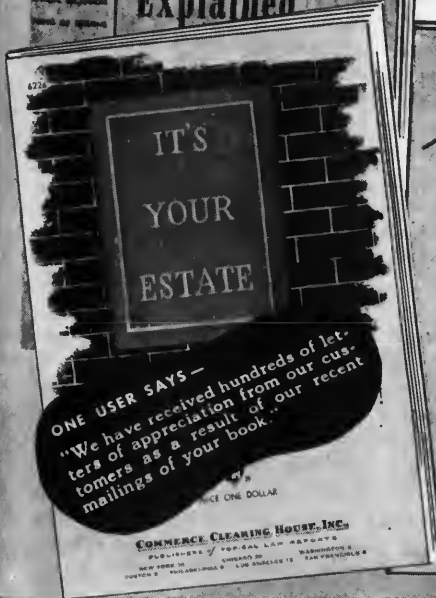
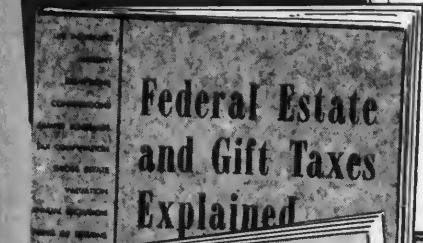


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(CONTINUED FROM PAGE 96)

accounts and redeposited them in her own name. The decedent's executors sought to impress a constructive trust on the funds. In support of her contention that, as the survivor, the funds belonged to her, the widow stated that her husband had "made the accounts joint so that she could use them in any way that she saw fit."

The court granted judgment for the executors, ruling that the recital of a right of survivorship on the signature cards was not sufficient to establish a survivorship interest in the accounts where the money had been provided by only one of the depositors. The presumption, said the court, "is the other way." Evidence submitted by the widow had failed to rebut this presumption.

The court, parenthetically, suggested remedial legislation, stating: "The position of banking institutions in these matters is protected by legislation [Deposits in Two Names Act] . . . Perhaps Congress may in due time wish to consider legislation clarifying the right of depositors, creditors and other interested parties." *Imirie v. Imirie* (U.S.C.A., D.C., 1957) 246 Fed. (2d) 652.

### Brief Notes on Other Cases

**Federal tax lien.** Where Federal income tax lien was recorded against taxpayer's realty, and it was, at the time, encumbered by mortgage securing payment of note at 5% interest, bank mortgagee was entitled to priority not only on unpaid principal but also on interest due after recording of tax lien. *U. S. v. Lord* (Dist. Ct., N. H., 1957) 155 Fed. Supp. 105.

**Gift of stock.** No inter vivos gift of stock was effected where father purchased stock, and certificates named himself and son as "joint tenants with right of survivorship," but father always kept certificates in his possession and he kept all dividends and reported same on his tax returns. In *re Martella's Estate* (Pa., 1957) 135 Atl. (2d) 372.

**Night depositories.** Agreement



"First it was coffee—then buns and coffee—then sandwiches, buns, and coffee—then . . ."

between bank and depositor providing that exercise of night depository privilege was at "sole risk" of depositor, and that bank was not liable for sufficiency of its safeguards instituted in connection with such service, did not exempt bank from "liability for negligence of any and every kind." *Ramsey Outdoor Store, Inc. v. Chase Manhattan Bank* (N. Y. Sup. Ct., 1957) 26 U. S. Law Week 2230.

**Preference in bankruptcy.** Insolvent debtor's payment of unsecured note to payee bank, mostly in cash, within four months of bankruptcy, when bank knew debtor was frequently overdrawn and delayed making good overdrafts, and debtor's checking account was inactive and no deposits had been made for nearly a month, was a preferential transfer, void as to bankrupt debtor's creditors. *Gelbman v. Canton National Bank* (Dist. Ct., Ohio, 1957) 150 Fed. Supp. 804.

**Deposit in trust.** Form of account, held by depositor in trust for himself and son as joint owners, balance to belong to survivor, presumes intent to create trust vesting title in survivor. This presumption was rebutted where shown that depositor intended that surviving son should distribute balance among all of depositor's children. *Shook v. Shook* (Md., 1957) 132 Atl. (2d) 460.

Where depositor opened account in her name in trust for herself and nephew as joint owners, balance to belong to survivor, and she later executed codicil to her will, reaffirming gift of remainder of deposit to her nephew, as guardian of his children, codicil did not freeze the account, and subsequent closing of account by depositor revoked trust for nephew's children. *Allers v. Leitch* (1957) 213 Md. 390, 131 Atl. (2d) 458.

**Deposits in two names.** Proceeds of account in names of father "or" his son belonged to surviving son although he had no knowledge of opening of the account until three and one-half years later and father had kept passbook in his safe. In *re Pfeifer's Estate* (Wis., 1957) 85 N.W. (2d) 370.

**Promissory notes.** A husband bequeathed, to the makers, promissory notes payable to himself or his wife, and directed that they be canceled at his death. A Michigan statute provides that promissory notes payable to husband and wife shall be held in joint tenancy, with full right of ownership by survivorship. The will provision canceling notes was invalid and the surviving wife was declared owner of the notes. *Kuklish v. Wohleben* (Mich., 1957) 84 N.W. (2d) 535.



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returns 35% annually on the equipment investment!"**

—The National Bank & Trust Company, South Bend, Indiana


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Proof-Transit machines control accuracy of proof and distribution over every deposit. Our efficient Unit Plan Posters prepare Statement and Ledger simultaneously. And our National Multiple-Duty Machines post all our Loans and Discounts, Mortgage Accounts and internal bank records.

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*R. W. Goheen* President of the  
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# BANKING NEWS

## A.B.A. President Welman Emphasizes Importance of Banks Standing Together in One National Organization

Joseph C. Welman, president of the American Bankers Association and of the Bank of Kennett at Kennett, Mo., has replied to the proposals made by Arthur T. Roth, president of The Franklin National Bank of Long Island at Franklin Square, N. Y., concerning the exclusion of mutual savings banks from membership in the A.B.A.

A collateral question concerned the Multer bill, pending in the House of Representatives, which provides, among other things, for Federal charters for mutual savings banks and which would permit savings and loan associations and state-chartered mutual savings banks to convert into federally chartered national mutual savings banks.

Mr. Welman's letter to Mr. Roth follows:

December 7, 1957

Mr. Arthur T. Roth, President  
The Franklin National Bank  
Franklin Square, New York  
Dear Mr. Roth:

Your letter of December 2 reached me in Washington on December 4 just before the meetings there of the Federal Legislative Committee and the Administrative Committee of the Association on December 5 and 6. These committees gave careful consideration to your letter, and they have directed me to convey their decisions to you.

The Administrative Committee approved the recommendation of the Federal Legislative Committee that the American Bankers Association take vigorous action to oppose the Multer bill, which provides, among other things, for Federal charters for mutual savings banks and which permits savings and loan associations and state-chartered mutual savings banks to convert into national mutual savings banks.

Your proposal to expel the mutual savings banks from the American Bankers Association membership was also considered. The Federal Legislative Committee and the Administrative Committee believe that such expulsion is neither necessary nor desirable.

The American Bankers Association has in its membership close to 100% of the nation's banks. Banking services vary from place to place, and this varied membership includes every shade of opinion and interest in the banking business. Sometimes the interests conflict. The membership of different types of banks with varying views does not prevent the Association from making decisions for the general welfare of banking.

Should the banks with branches be expelled at the request of the unit banks? Should the unit banks be expelled at the request of the branch bank institutions? What about the holding company banks? Should they be kicked out at the request of their critics? Then there are the par collection and nonpar banks. Should the nonpar collection banks be excluded at the request of the par collection banks? If your proposal to eliminate the mutual savings banks were encouraged, what group of banks would be next? The mutual savings banks have been members of the American Bankers Association for many years. It is important for the banking business to remain united within the framework of its national organization.

I am very sorry that my schedule does not permit me to be in New York for several weeks. However, Merle E. Selecman, executive vice-president of the Association, will be glad to talk with you at any time.

Sincerely yours,  
(signed) Joseph C. Welman  
President

Notice of the action taken by the two A.B.A. committees and of Mr. Welman's letter to Mr. Roth has been sent to all Association member banks.

## A.B.A. Spokesmen Tell House Committee Banks Are Lending to Small Business

### W. F. Kelly and A. F. Maxwell Say Lack of "Know How" Is Obstacle

Indications are that "the sound and proper demands of small business for the type of credit that can be furnished by banks are being substantially met," according to William F. Kelly, chairman of the Credit Policy Commission of the American Bankers Association.

Mr. Kelly, president of the First Pennsylvania Banking and Trust Company of Philadelphia, told the House of Representatives Select Committee on Small Business:

### Small Banks Make Small Loans

"Of the nearly 15,000 banks in the nation, almost 14,000 have deposits of less than \$25,000,000, and approximately 10,000 have deposits of less than \$5,000,000. In view of the statutory limitation on the size of loans, it is clear that the lending activities of the great bulk of American banks are directed to filling the demands of small business as well as the demands of farmers and consumers."

Pointing out that the A.B.A.'s Small Business Credit Commission, since its creation in 1944, has devoted its entire effort to assisting smaller banks in servicing small business customers and encouraging the establishment of small business lending departments and instalment credit departments, Mr. Kelly said:

"The proper and adequate financing of small business will continue to be a major concern of the nation's banks."

A lack of adequate capital and lack of "know-how" were disclosed by Association surveys to be the prevalent problems in those cases where small business applications for bank loans have been turned down, Mr. Kelly said.

Testifying with Mr. Kelly was Arthur F. Maxwell, president of the First National Bank of Biddeford, Maine, and a member of the Credit Policy Commission.

## Legislation, Supervisory Questions Discussed by A.B.A. Divisions in Washington

### National and State Bank Division Members Hold Joint Conference

Plans for 1958 involving Federal legislation and the activities of the Federal Bank supervisory agencies were discussed jointly by representatives of the National Bank and State Bank Divisions of the American Bankers Association as the two groups met in Washington on December 2-3.

In addition to the joint meeting, the two divisions conferred with key Government officials. These conferences included a luncheon with the Federal Reserve Board, and a discussion of the general economic situation, with emphasis on debt management problems, at conferences with officials of the U. S. Treasury Department, including Treasury Under Secretary Julian Baird.

A conference on the part of the National Bank Division with the Comptroller of the Currency and his staff was followed by a luncheon meeting. Likewise, a luncheon followed the meeting of the State Bank Division representative with the FDIC Board chairman and his staff.

#### Those Participating

Representatives of the State Bank Division attending the Washington conferences were: Ben C. Corlett, vice-president, American Trust Company, San Francisco, and president, State Bank Division; L. A. Hollenbeck, chairman and president, Farmers and Merchants State Bank, Iroquois, S. D.; Louis E. Hurley, president, The Exchange Bank and Trust Co., El Dorado, Ark., and chairman, Executive Committee, State Bank Division; Archie K. Davis, chairman, Wachovia Bank and Trust Company, Winston-Salem, N. C.; Harry Eaton, president, Twin Falls (Idaho) Bank & Trust Co.; and Walter B. French, senior deputy manager, A.B.A., and secretary, State Bank Division.

Representatives of the National Bank Division at the Washington meetings were: William M. Lockwood, president, Howard National Bank and Trust Co., Burlington, Vt., and president, National Bank Division; Sam M. Fleming, president,



Participants in the joint meetings of representatives of the National and State bank divisions of the A.B.A. in Washington last month. Seated, left to right, Messrs. Fleming, Coleman, Lockwood, Corlett, Hollenbeck, Hurley, and Davis. Standing, left to right, Messrs. Welch, Eaton, Hobstetter, Marshall, Lyons, Wooten, Harrington, McNeill, French, Brott, and Howard

## Southwestern Graduate School of Banking to Be Offered at SMU in Dallas, According to Clearing House Group

Announcement of the initial 2-week summer session of the Southwestern Graduate School of Banking at Southern Methodist University in Dallas was made recently by officials of the Dallas Clearing House Association and Southern Methodist University, sponsors of the new advanced school for bankers.

Located on the Southern Method-

Third National Bank in Nashville, Tenn.; John S. Coleman, president, Birmingham (Ala.) Trust National Bank; G. Harold Welch, senior vice-president, First New Haven (Conn.) National Bank; Gibbs Lyons, president, First-Stamford National Bank and Trust Co., Stamford, Conn.; Ben H. Wooten, president, First National Bank in Dallas, Texas; Harold J. Marshall, president, National Bank of Westchester, White Plains, N. Y.; Harry F. Harrington, president, The Boatmen's National Bank, St. Louis; Edison Hobstetter, chairman and president, Pomeroy (Ohio) National Bank; and Charles R. McNeill, secretary, National Bank Division, A.B.A.

Also attending the conference were J. O. Brott, general counsel, A.B.A., and secretary, Committee on Federal Legislation and Federal Deposit Insurance Committee; and Robert G. Howard, director of the News Bureau, A.B.A.

ist campus, the Southwestern Graduate School of Banking will hold class for the first time this coming summer with an intensive program of study and research in banking, economic and monetary problems from Sunday, June 8 through Saturday, June 21. Registration in the first session will be limited to 200 bank officers and other qualified bank personnel from Texas and surrounding states. Those who register for the 1958 session will continue through a 3-year program of summer sessions. A new class will be initiated each year.

Coordinator of the school, one of only five such in the nation, is Dr. Richard B. Johnson, widely known Southwestern economist, professor, and chairman of the department of economics at Southern Methodist University, and director of the graduate program in economics in the SMU Graduate School.

Joining the university in creating the Southwestern Graduate School of Banking was the Dallas Clearing House Association, an organization representing the top leadership of the dynamic Dallas banking community.

The Republic National Bank's DeWitt Ray, chairman of the Clearing House Committee for the School of Banking, pointed out that the southwestern banking school will be

(CONTINUED ON PAGE 103)

## Important Personnel Changes in A.B.A. News Bureau; Robert G. Howard Succeeds Lester Gibson as Director

Lester Gibson, deputy manager of the American Bankers Association and for 20 years the director of the News Bureau, retired on December 31 under the Association's retirement plan. However, his retirement was short-lived, since he rejoined the *American Banker*, a daily banking newspaper, on January 1, 1958.

Robert G. Howard, who joined the A.B.A. staff as assistant to the executive manager in mid-March 1957, has succeeded Mr. Gibson as director of the News Bureau.

Mr. Howard received his A.B. degree from Duke University in 1937 and for the ensuing 13 years was engaged in journalism, having been associated with the *New York Sun*, the *Syracuse (N. Y.) Herald*, and the *Miami (Fla.) Daily News*. He joined the Federal Reserve Bank of Richmond in 1950 and a year later was named director of public information. In 1953 he was named assistant cashier and in 1955, assistant vice-president, which post he held at the time he became associated with the A.B.A.

Mr. Howard was a member of the Class of 1956 of The Graduate School of Banking and wrote his thesis on public relations. He has served on numerous Federal Reserve committees dealing with the production and dissemination of publicity and public information; is a member of the FPRA, a former director of the Richmond Public Relations Association, and of the Press Club of Virginia.

### Townsend Takes Bank Job

Another change in the A.B.A. News Bureau staff comes about through the resignation of Associate Director Dwight J. (Jack) Townsend, who, on January 1, 1958, becomes assistant vice-president of the Oglesby-Barnitz Bank and Trust Company in Middletown, Ohio. Mr. Townsend has been a member of the Bureau staff since 1948. He was appointed assistant director in 1950 and associate director in September 1957. His new duties will be concerned principally with advertising and public relations.

George J. Kelly, who, since October 1, 1956, has been director of information of the Department of



From immediately above, clockwise: Messrs. Townsend, Gibson, Kelly, and O'Neill

Government Relations of the American Bankers Association at the Washington office, has been appointed assistant director of the News Bureau of the Association, Executive Vice-president Merle E. Selecman has announced. Mr. Kelly will remain in Washington.

Mr. Kelly is a native of Richmond, Va. He was graduated from the University of Notre Dame in 1942. During World War II he served for three years as a Navy aircraft pilot.

In February 1946 he joined the national public relations staff of the American Legion at Indianapolis. In August of that year he was transferred to the Legion's Washington office, in 1947 he was made chief of the press section, and in 1949 he was named assistant director of public relations. In 1953 he became the Legion's national public relations director, retaining that position until he joined the American Bankers Association staff.

Continuing as the first assistant to Mr. Howard is John L. DeJong, associate director since November 1, 1949. Mr. DeJong joined the News Bureau as assistant director in 1944, after serving for a year with the Associated Press as a financial writer in the New York Bureau.

## Charles T. O'Neill, Jr. Named Secretary of A.B.A. Savings Bonds Committee

Charles T. O'Neill, Jr., assistant to general counsel of the American Bankers Association, has been appointed secretary of the Association's Savings Bonds Committee, it has been announced by Executive Vice-president Merle E. Selecman.

His appointment will fill a vacancy created by the resignation of Dwight J. Townsend. In addition to being associate director of the News Bureau, he had served as secretary of the Savings Bonds Committee.

Mr. O'Neill, a native of Richmond, Va., earned B. S. and LL.B. degrees at the University of Virginia, and he is also a graduate of The Graduate School of Banking. Admitted to the Virginia Bar in 1941, he practiced law in that state until he joined the Washington staff of the A.B.A. in 1946. In 1953 he was appointed assistant to general counsel. He serves also as assistant secretary of the Association's Committee on Federal Legislation.

He began his newspaper career in 1919 as a reporter and sports editor. During the next 19 years he worked as editor of three different newspapers in the Chicago area and then came East and acted as editor for a period of three years of two New Jersey newspapers.

Ruth Wimet, who has served as secretary to the director of the News Bureau since April 1946, will continue to occupy her important place in the Bureau as secretarial assistant to Mr. Howard. Ruth Ann Kimmick, a newer addition to the staff, also continues in a secretarial capacity.

The *American Banker* announcement that Mr. Gibson has resumed his connection states:

"Well known to bankers as associate editor of the *American Banker* for 10 years before assuming public relations responsibilities at the A.B.A. on November 1, 1937, Mr. Gibson is today probably one of the best known men in the banking and financial publication field.

"As general news editor, Mr. Gibson will bring to the *American Banker* the benefits of his experience at the heart of organized banking and continue to meet bank friends."



### Credit Conference

William A. Hewitt, president, Deere and Company, Moline, Ill., and John F. Sullivan, partner of Merrill Lynch, Pierce, Fenner, and Beane, New York, will be among nonbankers speaking at A.B.A.'s Tenth Annual National Credit Conference at The Conrad Hilton Hotel in Chicago on January 16 and 17. Advance program may be found on page 101, December BANKING.

## All A.B.A. Member Banks Urged to Vote in National Advertising Opinion Poll

### Association Takes No Position; PR Council Favors If Enough Banks Do

The Public Relations Council of the American Bankers Association is urging all A.B.A. member banks to vote in the Association's poll of member opinion on the advisability of a national advertising campaign for banks. In a letter just sent to all A.B.A. members, Melville M. Parker, chairman of the Council, stressed the importance of every bank's making itself heard on the national advertising question. Mr. Parker is executive vice-president, The First National Bank, Lebanon, Pa.

The A.B.A. mailed on October 23 the questionnaire by which each member will vote for or against national advertising. The first returns are now coming in to the office of Peat, Marwick, Mitchell & Co., the accounting firm which will tabulate the survey.

Because of existing differences of opinion, the Association itself has taken no position on the national advertising matter. The Public Relations Council, however, has expressed itself in favor of such an advertising program provided there is sufficient support to do a substantial job. At the same time, the Council has noted that "national advertising would back up, not substitute for existing promotional programs of local banks, local bank groups, and state associations. It would supplement and complement the existing A.B.A. nationwide public relations program, including research and publicity."

## 38 Banks, Branch Offices in 19 States Join A.B.A.

Thirty-eight banks and branch offices in 19 states joined the American Bankers Association during November, according to the monthly report of Frank W. Thomas, chairman of the Association's Organization Committee. Mr. Thomas is president, Washington Loan & Banking Company, Washington, Ga.

Among the new members are the following newly organized banks and branches:

**CALIFORNIA:** Glendale National Bank, Glendale; First National Bank in San Rafael, Mill Valley Office, Mill Valley; and Security-First National Bank, University Office, Riverside.

**CONNECTICUT:** Waterbury Savings Bank, Cheshire Office, Cheshire.

**FLORIDA:** Orange State Bank, Orlando; Community State Bank, Starke; and Brevard State Bank, Titusville.

**ILLINOIS:** Gateway National Bank of Chicago.

**KENTUCKY:** First City Bank & Trust Company, Fort Campbell Boulevard Branch, Hopkinsville; and Kevil Bank.

**NEW JERSEY:** Jersey State Bank, River Edge.

**NEW YORK:** Valley Stream National Bank & Trust Company, Dutch Broadway Office, Elmont.

**OHIO:** Second National Bank of Warren, Youngstown Road Branch, Warren.

## Southwest Banking School

(CONTINUED FROM PAGE 101)

able to meet the pressing need for advanced training of the highest quality in the southwestern area.

Extension work and a third year thesis will be required in addition to attendance of three summer sessions, Dr. Johnson said. Bank officers and other bank employees of equivalent status who have five years experience in banking or related areas and a college degree or who are graduates of the American Institute of Banking will be eligible to attend the school.

First year courses will cover bank organization, operations and control; basic economic problems, such as the development of the banking system, the functions of money and credit, and the operation and policies of the Federal Reserve System; commercial bank credit; and personnel selection, training and supervision.

Subsequent sessions will concentrate on specific areas of bank credit; public relations, executive training and development; legislation affecting bank operations; and cases in bank policy and development.

**PENNSYLVANIA:** Lancaster County National Bank, Bridgeport Office, Lancaster; and First Pennsylvania Banking & Trust Company, Transportation Center Office, Philadelphia.

**SOUTH CAROLINA:** First State Bank, Jackson; and Blue Ridge Bank, Walhalla.

**TEXAS:** Pineland State Bank.

A delegation of Japanese banking specialists making a 6-week tour of U. S. to study banking and monetary matters recently met with staff officers of the American Bankers Association in New York City. Meeting with this delegation are Dr. Leroy Lewis, national educational director, American Institute of Banking, and Dr. E. Sherman Adams, deputy manager in charge of the Department of Monetary Policy and Economic Policy Commission and director, The Graduate School of Banking



JOHN BATT

## Must Be "Selective"

"OUR leading manufacturers in recent years have earned substantial profits while during the same period the automobile dealers' profit structure has been dangerously low," according to John Reilley, vice-president of The First Pennsylvania Banking and Trust Company of Philadelphia, in an address to the Fifth Pennsylvania Bankers Association Lending Conference.

Mr. Reilley continued: "In the face of increased prices, new extra equipment for the 1958 cars, and decreased finance reserves due to the increased cost of money, I do not see how dealers can expect an improved picture in this respect, unless terms are extended to the point where the potential purchasers can afford the monthly instalment. This means utter disregard of collateral values. It is imperative that we stand fast and hold the line or suffer the consequences.

"I believe our banks and finance companies have gone all out to provide more than adequate financing and will continue to do so, but we must repel any lengthening of existing terms, lest we be caught in the same squeeze which confronts our dealers, particularly in the metropolitan areas where competition is keen to the point of being ridiculous. It is my personal opinion that the best interests of everyone would be served if we were just a bit more selective during the coming year."

## Advisory Board Cites "Disturbing Changes"

ONE of the most disturbing changes observed in current conditions under which banks are carrying on instalment credit lending operations is the increase in collection problems and a rise in automobile repossessions, according to the quarterly report of the Advisory Board of the Instalment Credit Commission of the American Bankers Association covering a period ending October 31. Carl A. Bimson, president, Valley National Bank, Phoenix, is Commission chairman.

"While there have been relatively few changes since our last report, several trends appear to be developing which are worthy of note," the A.B.A. Commission says. "These include: Maturities on home improvement loans, particularly in a bank's own plan, are edging higher. This development has been persistent and is, no doubt, due to the long FHA Title I terms. A decided increase in collection problems and the definite rise in automobile repossessions have been noted. Better than 30% of the reporting areas are experiencing an unusual increase in repossessions, and over 40 of the lenders reported delinquencies rising. There is every indication that collections are getting tougher. Losses from repossessions are averaging around \$350 after allowing for dealer reserves. Other credit losses are beginning to become more noticeable. These data would tend to support the selective approach presently recommended by the Instalment Credit Commission.

### Fraudulent Activities

"Another disturbing development is the increase in fraudulent activities on both retail and wholesale dealer credits. The wholesale fraud losses usually go hand in hand with the lag in sales and heavy inventories. Some of the fraud losses which come to our attention have been quite sizable and may be the result of careless handling and lack of attention to the basic fundamentals of time sales financing. Effective control of floor plan activities and retail paper purchased, and a complete understanding of dealer merchandising methods and sales practices are more important now than ever before.

"Retail sales trends in all classifications of instalment sales were reported down with the exception of property improvement financing and mobile home financing.

"New car stocks were definitely reduced, but stocks of used cars increased substantially, with a decided downward pressure on prices evident.

"The commercial banks are continuing to acquire a large portion of the automobile finance market, but

the volume of appliance loans was reported off. Even though the economy is beginning to show some measure of adjustment, banks must help in every way possible to maintain balance. The Commission urges sound and constructive credit to creditworthy people and credit policies based on common sense and the intention of assisting people with their financing problems."

## A Time for Restraint

"TROUBLE will accompany a credit policy that excites the consumer and teases him with tempting loan terms and low interest," according to Louis J. Asterita, deputy manager of the American Bankers Association and secretary of its Instalment Credit Commission.

In an address to the First Instalment Credit Conference of the Maryland Bankers Association, Mr. Asterita stated that he is "firmly convinced that the future is unlimited for instalment lending in banks," but there are just now some "disturbing signs which must be considered."

Bank experience with consumer instalment credit has been excellent, Mr. Asterita declared, but "there is a tendency on the part of some lenders to become complacent." He asserted that the "record and reputation which this form of lending has built up over the years could be in jeopardy unless we as lenders are practical, realistic, and alert to changing conditions. We must build up our resistance and sensitiveness toward the pressures of intemperate lending practices and policies which feed the inflationary flame and endanger seriously the lives of millions of American families."

Mr. Asterita sees this as a time not for "complacency, but rather the time for the application of good common sense" in lending. "Economic movements," he said, "seem to be somewhat sideward . . . I think we will all agree that the policy of restraint adopted by many instalment credit lenders during the past year, has not caused any damage to our economy."

## New York Commercial and Savings Banks Move to Mediate Differences

IN response to a resolution passed by the Savings Banks Association of the State of New York at its 64th annual convention in Miami calling upon the commercial banks of the state to join in a conference for the purpose of resolving differences between the two groups and the development of plans for the revision of the state's banking law, the New York State Bankers Association has agreed to such a mediation effort.

Daniel T. Rowe, president of the SBASNY and president of the Kings County Savings Bank, Brooklyn, and Richard S. Perkins, president of the NYSBA, and vice-chairman of the board, First National City Bank of New York, representing the two groups, subsequently conferred and developed plans for a special committee composed of representatives of both associations to meet and reconcile differences.

Mr. Perkins' telegram to Mr. Rowe, as quoted in *The New York State Banker*, stated:

"The Council of Administration of the New York State Bankers Asso-

### Savings Growth Comparison for First Nine Months of 1957

(In millions of dollars)

Institution	Dec. 31, 1956	Sept. 30, 1957	%
Comm'l banks .....	\$50,577	\$55,100	8.9
Mutual savings banks .....	30,000	31,200	4.0
Life Ins. Cos. ....	79,126	82,350*	4.1
S&L Assns. ....	37,148	40,306	8.5
<b>Total .....</b>	<b>\$196,851</b>	<b>\$208,956</b>	<b>6.1</b>

\* Estimated  
Source: Federal Reserve Bulletin and Institute of Life Insurance

ciation at its meeting today (Wed., Dec. 4, 1957) accepted the proposal of your association to discuss our mutual problems. We believe this to be a constructive move to strengthen the banking structure for the benefit of the people served by the banks of the state. The joint committee should go a long way toward clarifying the purposes, functions, and goals of our respective institutions."

Continuing, the *Banker* reported: "The official position of the NYSBA calls for various modifications to the banking law which it sincerely believes are in the best economic and personal interest of the people of

New York State. The modifications to the law are embodied in a number of proposals which, among other things, would permit savings banks to establish branches provided certain competitive conditions are equalized. Other proposals are designed to improve business solicitation practices and eliminate competitive differences as they exist between state and national banks and commercial banks and thrift institutions."

In an effort to reconcile differences, some months ago Senator George H. Pierce, chairman of the Joint Legislative Committee for the Revision of the New York State Bank-

Head table at the luncheon held during the 11th annual Mid-Year Meeting of the National Association of Mutual Savings Banks. Left to right, D. E. Stoddard, executive vice-president, Peoples Savings Bank, Providence, R. I.; Harry Held, vice-president, The Bowery Savings Bank, New York; C. G. Freese, president, Connecticut Savings Bank of New Haven; W. A. Lyon, chairman, executive committee, Dry Dock Savings Bank, New York, and vice-president, NAMS; C. J. Lyon, president, Society for Savings, Hartford, and president, NAMS; Dr. Alfred C. Neal, president, Committee for Economic Development, guest speaker; J. B. Willis, vice-president, Savings Banks Trust Company, New York; C. H. Stocker, Jr., president, Lynn (Mass.) Five Cents Savings Bank; J. P. Williams, vice-president, The Western Savings Fund Society, Philadelphia; G. E. Levine, vice-president, Providence (R. I.) Institution for Savings; and Dr. G. W. Ensley, executive vice-president, NAMS



# NEWS

ing Law, called upon the commercial and savings bank groups to submit their legislative proposals to his committee before December 1. These proposals were then submitted to the State Banking Department for clearance.

## Federal Charters for Mutuals Developments

THE National Association of Mutual Savings Banks is conducting a poll to determine whether the state groups favor Federal legislation that would authorize mutual savings banks to apply for Federal charters.

At its recent mid-year meeting in New York, the NAMSB announced that 6 of the 9 state associations had reported their views on this

At a dinner following the National Association of Mutual Savings Banks' School Savings Forum honoring Dr. William A. Jansen, retiring Superintendent of the New York City Schools, Millicent A. Trichler, assistant treasurer, Dollar Savings Bank, New York, presented a bronze plaque to Dr. Jansen. Daniel T. Rowe, SBASNY president, and Robert Cotton, Forum chairman, joined with other savings bank leaders in paying tribute to Dr. Jansen for his 50 years of school service. Mr. Rowe is president, Kings Highway Savings Bank, Brooklyn, and Mr. Cotton is manager, school savings department, Queens County Savings Bank, Flushing, L. I.



The Manhattan Savings Bank, on New York's Madison Avenue at 47th St., added a frozen pond to its Christmas lobby celebration for 1957. On the 5-inch ice Santa Claus and two helpers waltzed and skated, and depositors' kids got rides in an ancient sleigh belonging to President Willard K. Denton. Crowds watched, outside as well as inside the bank

question. Although 17 states have mutual savings banks, only 9 have state associations. The Washington State group is known to oppose Federal charters.

The S&L leaders favor amendment of the Savings and Loan Act, to authorize Federal charters, according to reports, while the savings banks favor separate legislation. The S&L industry is said to be desirous of extending the "2-way street" between Federal and state-chartered thrift institutions, thereby permitting ready conversion from Federal to state charters, and vice versa.

Opposition of the American Bankers Association to Federal charters for mutual savings banks was made known in recent statements by President Joseph C. Welman. Additional details on the A.B.A. position may be found on page 100.

## Special Purpose Accounts

SIX special purpose savings accounts recently announced in a 6-column newspaper advertisement and in a direct mail folder by the First National Bank of Fort Worth, Texas, include a \$1,000 account; rainy day account; education account; stork account; new home account; and a Christmas account.

The mailing piece includes a re-

turn, postage paid postcard with each of the accounts listed under this sentence: "Please send me signature cards to open the account(s) I have checked below." The card provides space for full information on the individual or individuals asking for signature cards.

Passbook jackets in six different colors were issued by the bank, one featuring each type of account.

## "No Passbook" Accounts

THE Beverly Bank, Chicago, is now offering what it terms "Full Service Savings," commonly known as "No Passbook Savings."

The basic changes from the old system include:

(1) Depositors receive a machine stamped deposit receipt or withdrawal record.

(2) Depositors are mailed a statement of their transactions semi-annually, including their earned interest for that 6-month period.

(3) Presentation of the passbook is not necessary.

(4) Closed-circuit teller-vision installation enables any teller to serve a savings customer.

With this change, the bank discontinued its numerical filing system of its ledgers and switched to new alpha-numerical filing. This meant

# NEWS

a complete breakdown of both savings ledgers and signature cards. It alphabetized the signature cards first, leaving the ledger cards intact. The new account numbers were then assigned to the cards starting with 000-64, the major gap rise between regular accounts being 64 digits and

related accounts, 4. With the approximate number of open accounts close to 14,000 this ran the numbers to 993-320, with an expansion possibility sufficient for a great number of years.

The bank's next step was to make addressograph plates for each account showing title of account, address, and newly assigned number.

Before starting this project, the bank sent ad-postcards to all savings accounts, endeavoring to determine the ratio of correct addresses in its files.

The bank did not recall the outstanding passbooks. A special savings record book was designed for the depositor to record his transactions if he wished. A handy pocket inside the book holds the deposit receipts and withdrawal records. Depositors are asked to retain their receipts for a 6-month period to compare them with the semi-annual statement they receive.

In connection with the statements, the bank uses the cycling system, sending out approximately 2,500 statements the first of every month.

## Housing and Mortgages

### New Housing Starts

NEW permanent nonfarm dwelling units started in November, including 2,300 public units, totaled 78,000, according to the U. S. Bureau of Labor Statistics. This compares with 77,400 in October 1956.

For the first 11 months of 1957 nonfarm dwelling starts numbered 970,300, which compares with 1,054,500 for the first 11 months of 1956, representing a decline for the year of 8%.

### Dwelling Unit Increase

A NET increase of 9,400,000 dwelling units in the United States between April 1, 1950, and December 31, 1956, is revealed by preliminary tabulations of the 1956 national housing inventory.

The total number of dwelling units as of December 1956 was approximately 55,340,000, representing an average annual gain of roughly 1,390,000 units in a six and three-quarter year period. This substantially exceeds the average annual gain of 870,000 dwelling units between 1940 and 1950, as shown in the censuses for those years.

The net increase was less than the total new construction of 10,920,000 units. The difference of more than 1,500,000 reflects the net effect of losses to the inventory during the period by demolition, merger, and other types of withdrawals, and of additions through conversions and other sources. Gains amounting to 710,000 units resulted

from conversion, that is, dividing one dwelling unit into two or more. An additional 940,000 units were created from nonresidential space and from such quarters as transient accommodations and rooming houses.

Conversely, 1,130,000 units were demolished, 670,000 dwelling units were lost through merging two or more units into fewer units, and 1,410,000 were lost through changing dwelling unit space into nonresidential space or into rooming houses, and through abandonment and disaster.

### November Construction Sets New Record

THE value of new construction put in place declined seasonally in November, but the \$4.1-billion expended set a new record for the month and was 4% above November 1956, according to preliminary estimates prepared jointly by the U. S. Departments of Commerce and

Labor. On a seasonally adjusted basis, November 1957 outlays for new construction were at an annual rate of \$48.5-billion.

During the first 11 months of 1957, new construction expenditures amounted to \$43.6-billion, topping last year's first 11-month total or \$42.5-billion by 2% and virtually assuring a new annual record of over \$47-billion in 1957.

Private construction expenditures decreased 4% from October to November and public outlays were down by 17%. Despite these seasonal declines, totals for both private and public construction were at new November highs.

### HIC Merchandising Aids

IMPORTANT merchandising aids will be furnished by the Home Improvement Council in New York City to members in connection with its \$250,000 2-phase home owners' contest, including the following:

New display and advertising materials will be sent to local members

### Real Estate Credit Growth Comparison for First 9 Months of 1957

(In millions of dollars)

<i>Institution</i>	<i>Dec. 31, 1956</i>	<i>Sept. 30, 1957</i>	<i>% Incr.</i>
Comm'l banks .....	\$22,719	\$23,105	1.7
Mutual savings banks .....	19,745	20,812	5.4
Life ins. cos. ....	33,017	34,697	5.1
S&L assns. ....	35,729	39,106	9.5
Total .....	\$111,210	\$117,720	5.9

Source: Federal Reserve Bulletin

on each major phase of the program as it develops and special materials for the different major segments of the industry.

Members will also receive reprints of outstanding consumer magazine articles, listings of available films for showing to consumer groups, etc.

The HIC will emphasize in its promotion materials the availability of home improvement loans, thus assisting lender members in promoting locally this type of credit.

HIC membership is expected to solidify the banker's relationship with local dealers and contractors, thus opening the door for additional business in the future.

## Low Income Group Owns Half of Nonfarm Homes

CONSUMERS with incomes of \$5,000 and over now own more than half of all the nonfarm homes in the country, according to data compiled by the Federal Reserve System in its survey of consumer finances.

The comparable ratio of home ownership for this income group was less than a third in 1949, when a much smaller proportion of the nation's spending units had a \$5,000 a year income.

The figures show that practically 8 out of every 10 nonfarm spending units with incomes of \$7,500 or more were home owners as compared with fewer than 7 out of 10 in 1949. For the income bracket of \$5,000 to \$7,500, nearly two-thirds owned their own home this year as compared with somewhat over half in 1949.

## News Briefs

THE Home Loan Bank Board has endorsed the U. S. Savings and Loan League proposal to create a corporation under the Home Loan Bank Board for insuring the top 20% of conventional mortgage loans.

\* \* \*

The first FHA insured loan in New York State under the new Certified Agency Program was made to an instructor at Clarkson College by the Northern Trust Company,

Potsdam, a Marine Midland bank. Potsdam has a population of 7,500 people. The second mortgage closed in the state under the CAP was made by the Watertown Savings Bank. This loan for \$5,100, based on a \$5,500 purchase price was closed within two days after the application was received.

\* \* \*

HHFA Administrator Cole has also proposed a new plan for FHA insurance of the top 20% of loans.

## Investment Certificate Rate

THE Morris Plan Company of San Francisco, Calif., has announced that its interest rate on thrift investment certificate passbook accounts will be increased from 3½% to 4% on January 1. There will be no change in the 4% interest rate paid on the company's \$5,000 fully paid thrift investment certificates on which interest is paid quarterly by check, although they will be changed to eliminate the reduction of the yield on the certificates if surrendered within two years, as heretofore provided.

## CALENDAR

1958 JANUARY 1958	FEBRUARY	MARCH	APRIL	MAY	JUNE
S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S
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### American Bankers Association

- Jan. 16-17 National Credit Conference, Conrad Hilton Hotel, Chicago
- Jan. 26-28 Eastern Secretaries Conference, Skytop Lodge, Skytop, Penna.
- Feb. 10-12 Mid-Winter Trust Conference, Waldorf-Astoria, New York
- Mar. 10 National School Savings Forum, Roosevelt Hotel, New York City
- Mar. 10-12 Savings and Mortgage Conference, Roosevelt Hotel, New York City
- Mar. 13-14 Committee on Real Estate Mortgages, Hotel Roosevelt, New York City
- Mar. 13-14 Agricultural Commission and Sub-Committee on Agricultural Credit of The Federal Legislative Committee, Hotel Menger, San Antonio, Tex.
- Mar. 24-26 National Instalment Credit Conference, Conrad Hilton Hotel, Chicago

- June 2-6 American Institute of Banking Muehlebach Hotel, Kansas City, Mo.
- Sept. 21-24 84th Annual Convention, Chicago, Ill.
- Nov. 17-19 National Agricultural Credit Conference, Sheraton-Fontenelle, Omaha, Nebr.

### State Associations

- Jan. 19-21 Wisconsin Midwinter Meeting, Schroeder Hotel, Milwaukee
- Jan. 20 Dist. of Col. Midwinter Meeting, Mayflower Hotel
- Jan. 20 New York, Midwinter Meeting, Hotel Commodore, New York City
- Jan. 26-27 Louisiana, Midwinter Conference, Louisiana State Univ., Baton Rouge
- Feb. 20 Vermont, Midwinter Meeting, Hotel Vermont, Burlington
- Feb. 25-26 New Jersey, 9th Consumer Credit Conference, Hotel Haddon Hall, Atlantic City

(CONTINUED ON PAGE 110)

# A.B.A. Annual Savings and Mortgage Conference and National School Savings Forum

March 10-12, 1958—Hotel Roosevelt, New York City

## • PROGRAM •

**COMPETITION FOR SAVINGS**—How *banks* can keep the lead. A “Brainstorming” session should develop useful suggestions for *you*.

**MORTGAGE LENDING**—New developments for conventional and insured lending. Housing legislation in prospect, and the influence of Government on mortgage financing. A fresh look at mortgage markets.

**OPERATIONS**—You may or may not be ready for automation, but a feasibility survey may point the way to economies now. Electronics for the *smaller* bank is here.

**INVESTMENTS** — With higher rates being paid by some banks, greater care and caution are needed in handling the security portfolio.

**ECONOMICS**—To be successful during the coming months you must recognize and ana-

lyze business trends which affect savings and mortgage activities.

**BANK-SCHOOL RELATIONS**—The National School Savings Forum program is designed for directors of school savings departments and for senior officers who want to evaluate their bank’s policies in the field of bank-school relations.

**SELLING CAREERS IN BANKING**—Techniques of getting and keeping employes will be discussed by an expert in the management consultant field.

**EXHIBITS**—Educational displays of building and modernization materials and bank operating equipment will be featured throughout the conference.

**HOTEL RESERVATIONS**—An adequate supply of modernized rooms is reserved for the conference. *You will be preregistered.*

### REGISTER IN ADVANCE

For program details and convenient hotel and advance registration forms, write, or send this slip, to:  
Savings & Mortgage Division, American Bankers Association, 12 East 36 Street, New York 16, N. Y.

Name \_\_\_\_\_

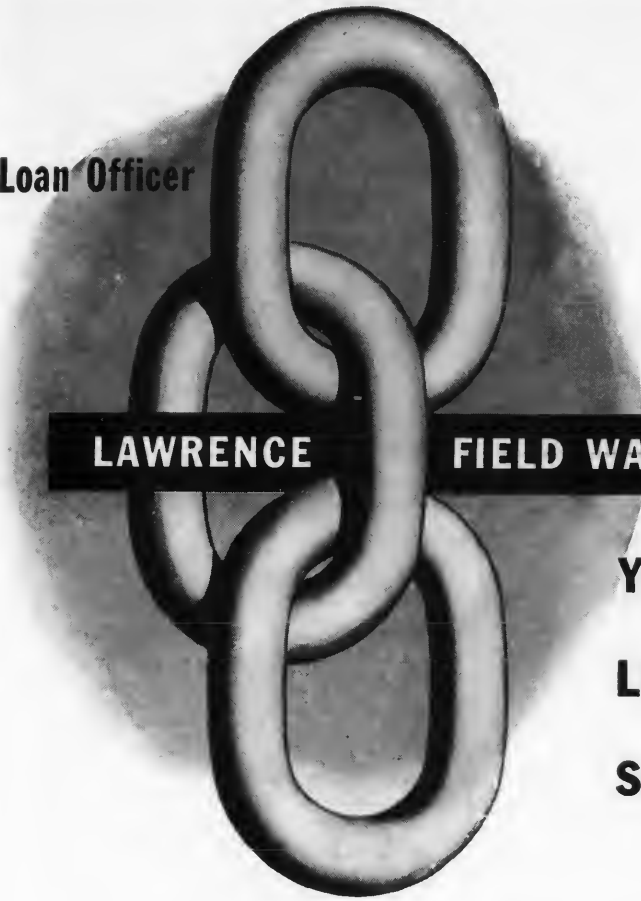
Bank \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_





Mr. Loan Officer



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**YOUR STRONGEST  
LINK TO  
SECURITY**

Inventory financing through Lawrence Field Warehouse receipts is an important method of credit accommodation. Lawrence receipts enable you to convert your open lines to safe, secured loans. So, Mr. Loan Officer, make valued friends of customers — new and old — by recommending Lawrence Field Warehouse service. It is available to manufacturer and distributor alike.

LAWRENCE ON WAREHOUSE RECEIPTS



... IS LIKE CERTIFIED ON CHECKS

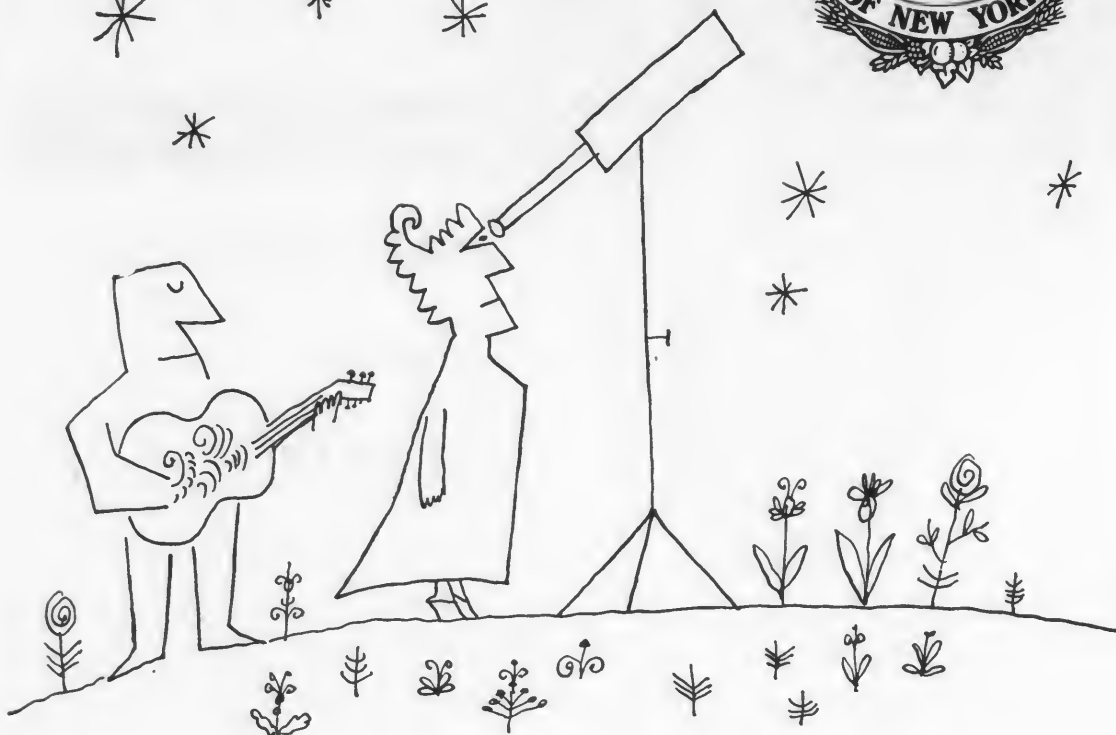
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**NATIONWIDE FIELD WAREHOUSING**

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Moderator McLucas stands behind his panel, left to right, Messrs. McClain, Badgeley, Nippert, and Breeding

## Trust Panel Proves Unusually Profitable

DELEGATES to the recent A.B.A. Mid-Continent Trust Conference in New Orleans profited from an estate planning panel which discussed all aspects of the problems involved in the testamentary planning and business management of a hypothetical estate. Among the panelists were a trust officer, a lawyer, an accountant, and a life insurance man. Moderator was Don McLucas, vice-president of the Northern Trust Company, Chicago.

THE panelists, working with six basic data sheets, talked over the affairs of John Q. Prospect, age 52. With 62½% of a wholesale plumbing business, he is key man and principal owner, with the other 37½% held by three cousins. A net book value of \$250,000 has been put on Mr. Prospect's share of the business. Among the company's liabilities is

a \$41,000 note due to the bank. The Prospects have three children. A 25-year-old son is active in the business and is married and has two children. A daughter, 22, has just married. The education of a son, 12, must be planned, and the widow well provided for.

Joseph A. McClain, Jr., a Tampa, Fla., attorney, discussed the lawyer's approach to the testamentary planning. Clark W. Breeding, a Dallas CPA, discussed evaluation of assets and liabilities, tax considerations, etc. Eugene D. Badgeley of New York City handled life insurance problems. He's director of agency special services for the Equitable Life Assurance Society. A summation of the over-all considerations received the trust officer's viewpoint from E. W. Nippert, vice-president and trust officer of the Fifth Third Union Trust Company of Cincinnati.

### CED to Make Full Study of Nation's Financial System

A full scale, nonpolitical examination of the nation's financial system will be made by the Committee for Economic Development, according to a CED announcement. The Ford Foundation has appropriated \$500,

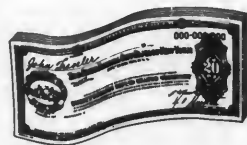
000 to defray the expense of the study.

This move on the part of a distinguished private research organization comprised of businessmen and educators is filling a gap occasioned by the failure of the Government to sponsor such a study. No financial study of this magnitude has been made for 50 years.



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SELL FIRST NATIONAL CITY BANK TRAVELERS CHECKS—YOU KEEP 90% OF THE SELLING COMMISSION—AND REMIT ONLY 10% TO US!

Member Federal Deposit Insurance Corporation

# Washington

(CONTINUED FROM PAGE 37)

*a minimum wage of \$1 an hour and time and one-half their regular rates for all hours worked over a week?*

**A. Yes. If the employees are engaged in or produce goods for interstate or foreign commerce, the statutory minimum wage and overtime requirements apply, unless a specific exemption is applicable.**

And such other questions as how overtime should be calculated; are Christmas bonuses, made as gifts, to be considered part of the regular rate of pay.

## Supervisors' Office

The National Association of Supervisors of State Banks plans to open its Washington office early this year. In a progress report to state banking institutions which favor the project, George A. Mooney, New York State Superintendent of Banks, expressed the hope that a permanent staff may be functioning during this session of Congress "when many bills of interest to state banks and state bank supervisors will be under consideration." The problem is to find, organize, and train a competent staff.

The Senate Finance Committee investigation of the "financial condition of the country" made no news during the recess. This served to spotlight the announcement by the Committee on Economic Development (CED), a business organization, of a \$500,000 grant from the Ford Foundation for "the first full-scale inquiry into monetary policies since the Aldrich Committee of Congress began its 3-year study in 1908."

The announcement, which was made by Donald K. David, chairman of the CED Board of Trustees and former dean of the Harvard Graduate School of Business Administration, said a 9- to 18-man commission would be appointed from the ranks of business, labor, agriculture, education, and research and administration without regard to politics, to conduct studies over a 3-year period. He added:

"A distinguished group of economists from the nation's leading universities and research organizations will assist the commission to explore ways in which the function-

ing of public and private banking and nonbanking credit institutions can make a greater contribution to the country's economic well-being."

There is a feature in the services that the American Bankers Association provides which is not fully recognized. That is its service of providing information for members of Congress and Congressional committees. A case in point occurred last month. Three bank executives came here to give the Subcommittee on Economic Stabilization of the Joint Economic Committee, information about the effect of automation on the banking industry.

The bankers were John A. Kley, executive vice-president of The County Trust Company, White Plains, N. Y., A. R. Zipf, vice-president of the Bank of America, San Francisco, Calif., and Everett J. Livesey, vice-president and secretary, The Dime Savings Bank of Brooklyn, N. Y., all three serving on important A.B.A. committees.

The consensus of their testimony at the hearing, which was presided over by Chairman Patman, was that automation of operating processes is an economic necessity for many banks and will have a constructive effect upon bank services and personnel.

## Housing

U. S. Housing Administrator Albert M. Cole recently revealed that the Administration is considering a new housing program which has a number of points in common with

Milton C. Lightner of Ridgewood, N. J., is the new president of the National Association of Manufacturers. He is president. Singer Manufacturing Co.



WIDE WORLD

one being promoted by the U. S. Savings & Loan League. But the differences between the League's proposals (which Senator John J. Sparkman of Alabama introduced as S. 271) and Mr. Cole's will focus attention on the hearings of the Senate Subcommittee on Housing.

The U. S. Savings & Loan League would set up a Home Loan Guarantee Corporation under the Federal Home Loan Bank to guarantee the top 20% of conventional mortgage loans on a 90-10 co-insurance basis. But Mr. Cole's plan calls for a "partnership" between FHA and private lenders. He said:

"Since the private lender will be assuming the balance of the risk, there will be neither a need nor excuse for a volume of administrative procedures equal to that where FHA insures 100% of the risk. The program would permit low downpayments and low monthly payments.

"Although FHA will not undertake to fix the interest rate, it will—and this is a part I want to underline—it will take measures to see to it that interest rates are fair from the viewpoint of the home owner and that exorbitant charges are not permitted."

The latter point is at variance with the U. S. League's plan, which calls for a free interest rate—that is, one set by the market. The National Savings and Loan League, which has taken no position on the Sparkman Bill, was prompt in voicing its opposition "to any effort to put Federal controls on conventional mortgage interest rates across the board."

## Small Business

Chairman Patman of the House Select Committee on Small Business announced at the conclusion of a series of hearings on financing problems of small businesses that two bills will be submitted in their interest. One will help provide long-range loans and equity capital to small business and the other will be a tax bill.

William F. Kelly, chairman of the Credit Policy Commission of the A.B.A., refuted Mr. Patman's charge that the nation's banks are not meeting the needs of small business. He declared that "the sound, the proper demands of small business for the type of credit that can be furnished by banks are being substantially met."

## Government Bonds

(CONTINUED FROM PAGE 61)

For the maturing 3½% certificates, a new 1-year 3¾% certificate was offered in exchange. Cash attrition was only \$141,000,000, which was about 7% of the amount of the maturity not held by the Federal Reserve banks. A "rights value" of several thirty-seconds was available to holders of the maturity, which probably accounts for the small amount turned in for cash.

To get the new cash about \$500,000,000 of 3¾% bonds to mature 11/15/74 were offered and about \$1-billion of 3¾% 5-year notes. To set up a road block for "joy-riders" the Treasury exercised its right to favor subscriptions from "savings type investors" by giving them larger allotments than subscriptions from "others," including commercial banks.

The final results of the offerings were as follows (in millions):

	Amount Offered	Subscriptions			Total
		Savings Type	Others	Total	
3½% bonds 11/15/74	about \$500	\$883	\$2,933	\$3,816	

"Savings type investors" were allotted 26% of their subscriptions, "others" 10%. Government investment accounts took \$100,000,000. The total allotted was \$650,000,000.

	Amount Offered	Subscriptions (millions)			Total
		Savings Type	Others	Total	
3¾% notes 12/15/62	about \$1 billion	\$883	\$7,125	\$7,788	

Savings type investors received 25% of their subscription, "others" 10%. Subscriptions of \$10,000 or less were allotted in full. Government investment accounts took \$100,000,000. The total allotted was \$1,142,000,000.

So the "about" resulted in about \$290,000,000 new cash in excess of the amount offered.

It looked very much as if the amounts allotted to "savings type investors" were less than they really wanted. Also, the small allotment to "others" probably resulted in some additional purchases by them. Anyway, the demand for the new issues certainly exceeded the supply, with the net result of producing the premiums shown in the above table.

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AMAZING Coin-Swallowing

**CLOWN BANK**

Yes, reorders are our best proof, and why not? Enthusiasm on the part of our customers may spark the first sales but only public acceptance and demand can prompt reorders — and hundreds of these are arriving only two and three weeks after initial orders have been shipped! Just imagine how you, too, can generate interest and savings activity with this unique, new coin-swallowing Clown Bank that has COLOR, ACTION and INCOMPARABLE APPEAL!

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8" high  
4" wide  
3" deep

Key-locking

It's an **ACTION BANK**  
that Gets **NEW ACCOUNT ACTION!**



**SEE!** Place a coin in Savo's hand, press down on his pom-pom and W-H-A-M...

**SEE!** EYES MOVE—TONGUE WAGS!

**SEE!** Arm moves up and POPS COIN IN MOUTH!

**SEE!** Release pom-pom and coin is "DEPOSITED" in SAVO's chest!



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IMPRINTING INCLUDED

Lots of \*150 300 500 1M—up  
EACH \$1.30 \$1.25 \$1.20 \$1.15

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Prices subject to change without notice.  
\*When fewer than 150 banks are ordered, 150-lot price applies, but \$9.75 charge is made for less than minimum quantity.

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*"The House of Charts"*

AMERICAN CHARTS COMPANY ATLANTA FIVE



## For the Building Scrapbook



**TOP, LEFT**—Exterior view of the new Lafayette National Bank, Lafayette, Ind. The 2-story building makes generous use of color. **LEFT**—Stockmen's National Bank, Rushville, Nebr., features glass and aluminum paneling, with a redwood overhang and Roman brick base. The design and interior construction of both banks are by Bank Building and Equipment Corp. of America



**ABOVE, LEFT**—Monroe National Bank, Columbia, Ill., offers parking space on three sides of its building. The grounds are attractively landscaped. **ABOVE, RIGHT**—The Toronto-Dominion Bank, Toronto, Canada, uses a basic branch plan that allows exterior appearance and interior decoration to be adapted to any site chosen. Shown here is the Dixie branch. **BELOW, LEFT**—New Menlo Park branch of the American Trust Company, San Francisco. **BELOW, RIGHT**—New Airport Road Branch of the Alaska National Bank of Fairbanks. Construction permits "columnless interior"



# Man-made diamonds by the pound open new paths for industry

*A report on a promising area in research and development activity at General Electric, by Dr. Guy Suits, Vice President and Director of Research*

In 1955, the General Electric Research Laboratory announced the development of man-made diamonds, as one result of the Laboratory's continuing research in high-temperature and high-pressure phenomena. Today, the Company's Metallurgical Products Department is producing these diamonds in quantity for industrial use, and is supplying them to customers.

Estimates are that, with this important new source of supply, promising new applications could greatly increase the market in industrial diamonds in the next decade.

Thus, the combination of outstanding scientific talent, engineering and manufacturing skill, and enterprising business management has translated a research achievement into a new growth business for General Electric in a little over two years.

The General Electric share owner has recognized that research forms a basic element of competition in today's economy, and has supported sound research and development programs as a major source of his Company's growth. Scientific and technological discoveries from General Electric's laboratories not only advance the Company's competitive strength in existing markets, but also provide new materials, products, and processes for new business opportunities and increased sources of profit.

At present, investigations are being carried forward in General Electric's laboratories that will enhance our mode of living in ways that cannot now be adequately described or even foreseen. A few of the more significant projects are: peaceful utilization of



**Made in U.S.A.** Industrial diamonds produced at a General Electric pilot plant in Detroit will be used in critical cutting and grinding operations. For the first time, the United States will not have to rely entirely upon a closely controlled foreign supply.

the fusion process, creating new plastics strong enough for structural use, and developing tiny electronic devices that will find uses in the home, as well as in industry.

As in the past, we expect to continue this high level of research and devel-

opment activity, for it helps accelerate progress for General Electric's customers, share owners, employees, suppliers, and dealers, and for the nation as a whole.

*Guy Suits*  
VICE PRESIDENT

**DR. GUY SUITS** has spent 27 years as a General Electric scientist. He himself has made many basic research advances in electric circuits, electronics, and high-temperature arcs, and holds more than 70 patents. Dr. Suits' address at the recent President's Conference on Research for the Benefit of Small Business contains more information on research and development at General Electric. For your copy, write: Department 2-119H, General Electric, Schenectady, New York.



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## ACCENT ON ACCURACY

Our principal objective this year will be to improve our accuracy quotient. Printed account numbers on checks are going to create more errors unless we are able to institute better inspection controls. There are those who blissfully believe that setting a line of type for a number such as 1-437-824, and proofreading it, is as easy as setting and proofreading a line for a name such as James C. Morrison. We know better. One reads names but recites numbers.

Wrong numbers are worthless, and machine manufacturers recognized this else they would not have provided verification devices for semi-mechanized machines and checking digit reading devices for fully mechanized units. It isn't that banks are going to post to wrong accounts if printed numbers on checks are incorrect, because the machines are designed to prevent this, but it will be a real annoyance until a replacement supply of checks reaches the customer.

One of the reasons why we changed our billing system last year was because it enabled us to provide a debit slip which banks could use when passing on the cost of the checks to their customers. This debit slip shows exactly what was imprinted on the checks, and we urge all banks to put it through their machines immediately in order to make certain that the account number is correct before the customer has a chance to issue any checks. By doing this promptly, much of the irritation will be taken out of check handling.

We are frank to say that some of our good friends think we are just "beating the drums" when we point out the likelihood of more errors due to account numbering. We don't feel that we are overstating the danger in any degree. Last year 99.77% of the jobs we handled were right, but that .23 of 1% translated into a whale of a lot of errors because we handled a whale of a lot of orders. This year we expect to handle more orders and make fewer mistakes.

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CHECK PRINTERS

Manufacturing Plants at: CLIFTON, PAOLI, CLEVELAND,

INDIANAPOLIS, CHICAGO, KANSAS CITY, ST. PAUL, DALLAS

## Participation Loans

(CONTINUED FROM PAGE 50)

"We also require that the selling bank, in each instance, confirm to us that the signature on the note is genuine and that the bank has proper authority for the signer to borrow in the name of the company.

"Since no notations are made on the borrower's note, there is no way for him to identify the source of the additional credit. Where the local bank has informed the borrower that because of legal limitations it was necessary to arrange additional credit from us, we prefer that our own note and resolution form be used—and, again, we ask that the notes placed with us carry a maturity prior to that of the notes held by our correspondent bank."

**Question 8. Are you actively offering participations in brokers' and other types of loans to your correspondents?**

"Twelve of the 18 banks, like ourselves," said Mr. Naber, "are not offering participations to their correspondents. Several will grant participations in brokers' loans upon request, and two are disposed at times to grant participation in other types of loans."

## NABAC Research

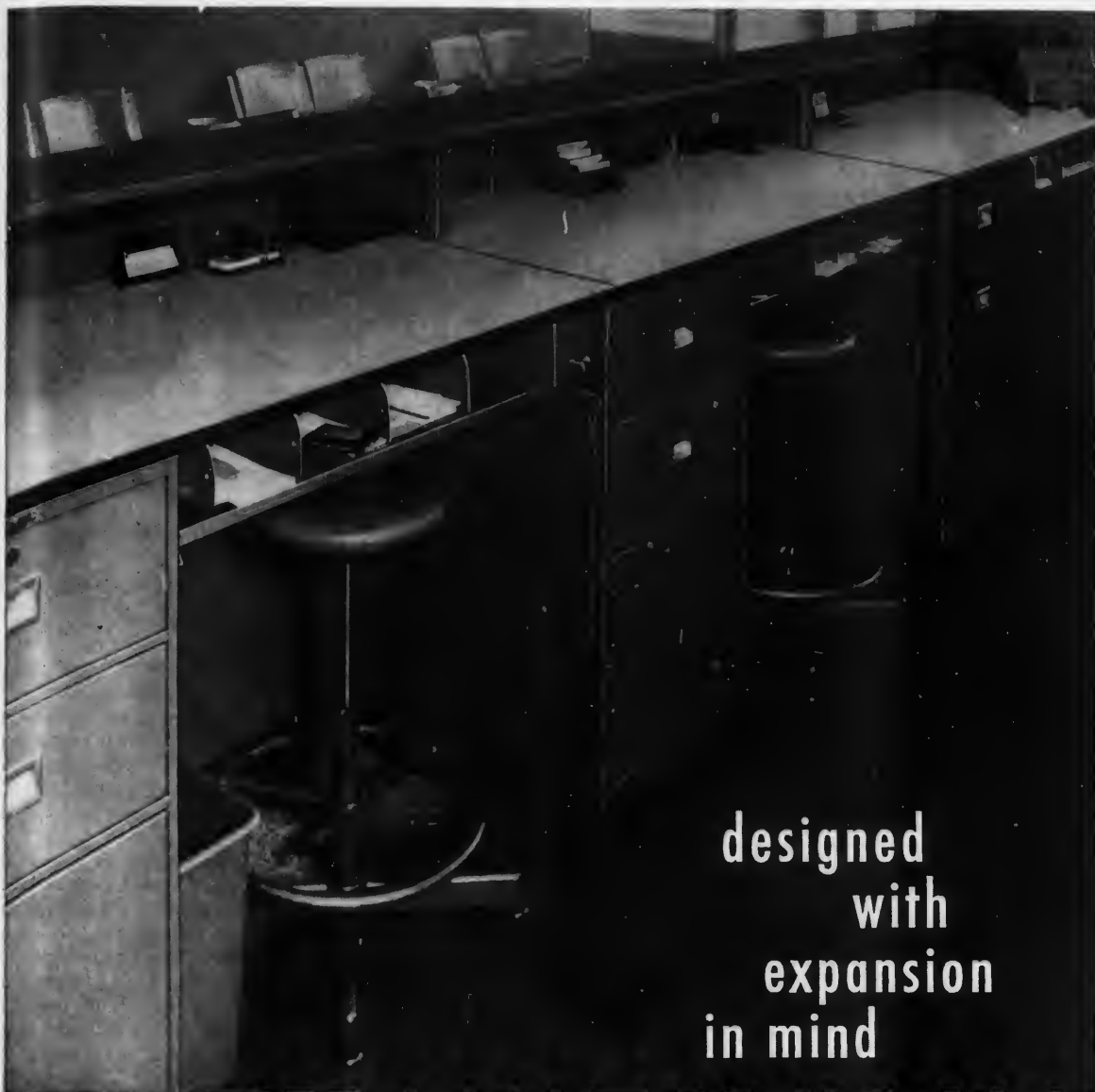
**F**URTHER plans for the NABAC Research Institute, established by the National Association of Bank Auditors and Comptrollers, have been announced by Steve H. Bomar, president of the association and senior vice-president and treasurer, Trust Company of Georgia, Atlanta.

The Institute will study operational problems of banking, seek standards usable by all banks, and consider the value of automation in certain operations. It will have a board of 15 trustees, nine of whom will hold office through their NABAC positions, while six will be chosen from among Institute member banks.

The trustees will be responsible for selecting research projects, de-

(CONTINUED ON PAGE 120)





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# THE CANADIAN BANK OF COMMERCE

## HEAD OFFICE - TORONTO

### CONDENSED STATEMENT AS AT OCTOBER 31, 1957

ASSETS	LIABILITIES
Cash Resources (including items in transit) \$ 411,964,082	Deposits ..... \$2,406,843,038
Government and Other Securities..... 718,841,975	Acceptances, Guarantees and Letters of Credit ..... 27,869,329
Call Loans ..... 218,849,356	Other Liabilities ..... 10,019,582
Total Quick Assets ..... \$1,349,655,413	<i>Shareholders' Equity</i>
Loans and Discounts ..... 1,060,681,077	Capital Paid Up ..... \$44,936,720
Mortgages and Hypothecs insured under the N.H.A., 1954 ..... 96,831,707	Rest Account ..... 89,873,440
Customers' Liability under Acceptances, Guarantees and Letters of Credit, as per contra ..... 27,869,329	Undivided Profits ..... 2,153,281
Bank Premises ..... 27,777,816	Total Liabilities ..... \$2,581,695,390
Other Assets ..... 18,880,048	
Total Assets ..... \$2,581,695,390	

### STATEMENT OF UNDIVIDED PROFITS Year Ended October 31, 1957

Balance of profit for the year before provision for income taxes but after making transfers to inner reserves out of which full provision has been made for diminution in value of investments and loans.....	\$16,960,242
Provision for income taxes .....	8,406,996
Balance available for distribution .....	\$ 8,553,246
Dividends .....	6,690,602
Amount carried forward .....	\$ 1,862,644
Balance of undivided profits October 31, 1956 .....	290,637
Balance of undivided profits October 31, 1957 .....	\$ 2,153,281

N. J. McKINNON  
PRESIDENT

J. P. R. WADSWORTH  
GENERAL MANAGER

## Automatic Bookkeeping

(CONTINUED FROM PAGE 41)

bank is wise to go ahead with numbering until it has reached a decision on many other aspects of check handling systems.

### Check Imprinting by the Offset Duplicator Process

The manufacturers and developers of equipment which will read magnetic ink characters state that magnetic ink digits imprinted with paper masters on offset duplicators can be read by their equipment. Since this method of imprinting seemingly has the blessing of equipment manufacturers, it is to be expected that banks will investigate this method more thoroughly than they have in the past and they may be tempted to install such equipment. All that is required is an electric typewriter equipped with the specially designed type faces and an offset duplicator which will process paper masters.

At Central National Bank of Cleveland, personalized checks for over 50,000 personal account customers are being imprinted, using paper masters on a multilith. Experience with this equipment indicates any bank contemplating installing this method of check imprinting should consider the following factors:

(1) While duplicators are considered to be office equipment, the quality of imprinting generally desired on checks requires a skilled operator.

(2) An electric typewriter is required if the proper uniformity of impression which is so necessary to a quality job is to be obtained. Further, this typewriter must be in excellent adjustment. This probably makes it mandatory that a service man be available on short notice.

(3) If checks are to be serially numbered at the time they are imprinted, it is necessary that numbering heads be placed on the machine. Once a numbering head has been attached to an offset duplicator, it is very difficult to remove it and use the duplicator for other duplicating jobs. Since it is thus advisable to have a machine solely for the imprinting of checks, an offset duplicator is not feasible for banks having less than 10,000 to 15,000 checking accounts.

(4) The production of a sizable volume of checks such as can be turned out by an office duplicator requires the installation of other peripheral equipment, such as paper cutter, stapler, and possibly a machine for putting binding tape on the edges of the check pads. Since the processing of checks with magnetic ink numerals requires that the numerals be placed very carefully on the check, and since the offset method of check imprinting requires that four or five checks be printed at a time on one sheet of paper and that the checks subsequently be cut apart, it is important that the paper cutter be of good quality so that the "slicing" can be done accurately enough to leave the magnetic ink numbers in the proper location with respect to the edge of the check.

### What Will an Electronic Sorter Do for You?

Any person who has ever sorted checks manually can appreciate the great advance which will occur in check processing when paper check sorters are perfected. The feeling of expectation increases when one reads that these new electronic magnetic character sorters will sort checks and deposits at the rate of 750 items a minute.

To understand the true effective speed of paper check sorters, it is necessary to understand that the number of items per minute quoted is the speed with which pieces of

paper can be passed through the machine. However, effective sorting speed is much lower than this because of the time that is necessary to withdraw items from the pockets, jog them, and place them back in the hopper. Further, the quoted sorting speed is for one digit only. Therefore, if a 6-digit account number is being used, it would be necessary to process the checks through the machine six times to reach a fine sort. Thus, an effective speed of 6,000 to 9,000 items per hour fine sorted might be considered a reasonable expectation.

However, the major consideration with respect to electronic magnetic character sorters is the volume required to make the purchase of such a machine economically feasible. While no figures have been announced, it does not seem possible that such a complex piece of equipment could be sold for less than \$30,000. If this turns out to be the approximate price of such equipment, it is hard to see how any bank with less than eight or nine bookkeepers can afford an electronic sorter.

### Bookkeeper Volume

The figure of eight or nine bookkeepers using conventional equipment is arrived at in this manner. The average bookkeeper under conventional posting methods spends approximately 50% of her time handling paper, either sorting or filing. Assuming that she works an average of 7 hours a day, this means that she spends 3½ hours handling paper. Of the 3½ hours spent handling paper, the average bookkeeper would spend probably 2½ hours fine sorting and one hour interfiling. The electronic sorters can be used to fine sort checks, but it is very difficult to work out an economic operation for interfiling.

While the final result will depend on including many factors in the computation, it would seem that it would be necessary to save 2½ hours per day for each of eight or nine bookkeepers, or the equivalent of three persons spending full time on manual sorting, to justify the installation of an electronic sorter. It seems likely that, for banks with 10,000 or more items per day, the installation of an electronic sorter will be economically feasible. However, future mass production economies may well lower this figure.



"That's a nice way to start off the New Year!"

## Challenge of Agribusiness

(CONTINUED FROM PAGE 84)

ment programs continues to be of major concern in some cases.

"(3) Another problem facing bankers who serve farmers is the need for larger loans."

### Opposes Government Lending

Pointing to the fact that the nation's banks number among their customers the vast majority of the farmers in the United States, William F. Kelly, chairman of the A.B.A. Credit Policy Commission, said that the banks are as "deeply interested and concerned with farm credit as with small business credits."

Continuing, he said:

"But we are concerned to see that the job of supplying credit is left to the banks and to private credit agencies in the areas where the record shows they are equipped with the necessary facilities and resources. We will continue to oppose firmly the encroachment of Government lending; in fact, we must continue to urge that its present scope be sharply curtailed."

Another speaker, Charles N. Shepardson, member of the Board of Governors of the Federal Reserve System, reviewed "Monetary Policy in our Economic Climate." In his conclusion, he reminded his audience that "in a free enterprise economy the achievement of economic stability requires more than appropriate Government action. It requires that private individuals, be they consumers, workers, or employers, act with restraint in periods of inflationary trends and with calmness and faith in the future during periods of deflationary tendencies."

### Long-Run Solutions Proposed

Kenneth Hood, assistant secretary, American Farm Bureau Federation, Chicago, summarized his address on "Long-Run Solutions to Farm Problems" by stating that "long-range farm problems will be more quickly and satisfactorily solved if we:

(1) Put primary emphasis on self-help, cooperation, and organization.

(2) Stress market expansion at home and abroad.

(3) Expand opportunities for in-

dividual farmers to increase their size of business to the point that maximum efficiency is achieved.

(4) Limit monopolistic practices in labor, Government, and business that up our farm costs.

(5) Encourage policies that result in an expanded level of general prosperity.

(6) Move to lessen the role of Government in the management of the agricultural economy and the regulation of production and marketing of individual farm operators.

(7) Maintain the free and independent status of farm organizations.

### O. B. Jesness Honored

Dr. O. B. Jesness, recently retired head of Agricultural Economics at the University of Minnesota and an advisor to the Agricultural Commission for the past 13 years, was presented with a special citation at the closing session of the conference for his many contributions to agriculture and to banking.

The 1958 National Agricultural Credit Conference will be held at Omaha, Nebr. on November 17-19.

If you're going to make a pal of your boy, don't do it until after he has had quadratic algebraic equations.

*There are 100,000 useless words in the English language but they come in handy in college football yells.*

A statesman is a politician who takes his ears from the ground and listens to the still small voice.

*A highly commendable government expenditure is any spending that helps my community.*

There are now enough automobiles in this country so every man, woman and child can ride at the same time, and on Sunday afternoons they do.

*Remember the old days when a juvenile delinquent was a boy who hid back of the barn and smoked corn silk?*

It's pretty difficult to keep your mind and your mouth open at the same time.



Now National City's night transit system is faster than ever

Our messengers pick up and deliver mail at Cleveland airport post office, around the clock. Downtown stopovers are eliminated. This new service can improve availability by one day. If you're not a National City correspondent, contact us for details.

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Also: Abbott quality coin wrappers, coin and currency trays, etc., etc.

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## News for Country Bankers

(CONTINUED FROM PAGE 94)

affect cattle feeding on small farms. It is likely that one trend will be toward feeding by contract.

"I would not be surprised to see an increase in farming by contract. At one cattle feeding plant in Texas more than 100,000 head of cattle are fed each year. What is there to prevent the development of a chain of cattle feeding plants from the Atlantic to the Pacific? Such a chain might handle 2,000,000 or more cattle a year. Think what such a development would mean to cattle feeders in many of the central states."

### Resources Conference at University of Michigan

A CONFERENCE on Natural and Human Resources in Area Development will be held at the University of Michigan's School of Natural Resources on January 28 and 29. Sponsors of the program will include: The Conservation Foundation, University of Michigan, The Natural Resources Study Committee, The American Railway Development Association, and The American Society of Planning Officials.

"The purpose of this meeting," said Fairfield Osborn, president, The Conservation Foundation, "is to bring together representatives of business and planning groups, of educational institutions, and of state and Federal governments for consideration of the important national problems connected with land use, resource development, and people."

Area planning, civic development leaders, industrialists, Government leaders, a banker, and University natural resources authorities will be among the speakers. Bankers are invited to attend.

Earle L. Rauber, vice-president and director of research, Federal Reserve Bank of Atlanta, will speak on "Populations, Prosperity, and Planning."

For further details about the program write The Conservation Foundation, 30 E. 40th Street, New York, N. Y.

### Information Sources

"IMPORTANCE should be placed on the increasing demands in farm

operation costs and the continuing lag in farm produce prices. This requires greater margin of safety in negotiating the longer term farm loans and more complete knowledge of all factors that make up the operation," said Curtis W. Reighard, vice-president and cashier, The Hartley National Bank of Bedford, Pa., in an address before the Pennsylvania Bankers Association's Group IV Agricultural Clinic in Williamsport.

Continuing, he said: "We have three sources to gain this information:

"(1) Interviewing the applicants, husband and wife. We appraise as to net worth, experience, family status, age, health habits, their love for farm life and if the personal financial needs are increasing or diminishing the type of farm operation and what is expected of the venture and what the actual needs are, the location of the farm, acreage, assessment, terms of the sale, and what part the bank is asked to carry.

"(2) Visiting the farm we see firsthand evidence of productivity of the soil from the quantity and quality of feed on hand, the number of livestock carried, the lay out of farm buildings, adequacy and if in good repair and modern; the lay of the land, timber, and sources of water which is especially important where large numbers of livestock are carried.

"(3) General information. If you do not know the type of soil and state of fertility, consult your county agent who has a soil map of your county and can give much help."

4-H Club leadership awards entitling winners to \$300 expense-paid round trips to the National 4-H Club Congress in Chicago were given to Marilyn Vierira, 19, of Stockton, and 18-year-old Leonard Lanfranco of Concord by S. C. Beise, Bank of America president. These youngsters were among 30 outstanding California 4-H Club workers making the trip under private enterprise sponsorship



BANKING

*"We're really up a tree here in Sebewaing!"*

THAT'S THE WAY an excited father put his situation last summer to Ed Briggs, District Manager of our Detroit office. The man had got Ed's number through Western Union Operator 25, and was calling from Sebewaing, Michigan, up on Lake Huron where his family was vacationing.

As youngsters somehow do, their 3-year-old boy had taken all the family's travel funds in American Express Travelers Cheques from a suitcase and lost them. Could Ed Briggs help?

Ed assured the father their vacation would not be spoiled. Then he told the

man to go to a banker in Sebewaing, whom Ed knew, to explain what happened, and to have the banker call Detroit collect. As soon as the banker phoned to verify the man's identity and his Travelers Cheque record slip, Ed authorized an on-the-spot refund.

This customer's speedy rescue is typical of two-way cooperation between distant banks and American Express, much of which is due to the personality of managers like affable Ed Briggs. In his twenty years with the company, Ed has made friends with many, many bankers. And out of experience gained

by extensive travels on every continent, he instantly knows how to arrange prompt, courteous banking service for all your customers who travel.

There are more like Ed Briggs in the 401 American Express offices around the world. These men intimately know the languages and the people they serve. In addition to banking needs, they can get your customers accommodations at the right hotels... help them clear customs quickly... recommend tours. In short, the men of American Express offer your customers home-town service away from home, all over the world.

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*J. Edward Briggs, District Manager, American Express, Detroit*

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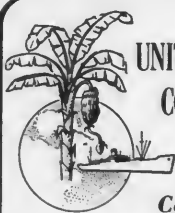
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EMERY N. LEONARD  
Secretary and Treasurer  
Boston, Mass., November 18, 1957

## 32 G.S.B. Theses

(CONTINUED FROM PAGE 44)

officer, National Bank of Detroit; *The Variable Annuity and Its Impact on the Trust Business.*

William C. Gallagher, assistant to the general counsel, Federal Reserve Bank, Chicago; *Retirement System of the Federal Reserve Banks.*

John P. Glorieux, second vice-president, Guaranty Trust Company, New York; *The Potential Impact of Nuclear Energy on Banking for the Electric Power Industry.*

Robert D. H. Harvey, vice-president, Maryland Trust Company, Baltimore; *Federal Land Bank Bonds.*

Donald D. Hoffman, vice-president, Central Bank & Trust Company, Denver; *A Study of Bank Chartering—Colorado 1957.*

Charles F. Kammerer, Jr., assistant vice-president, County Trust Company, White Plains, N. Y.; *An Approach to Management Control in Branch Banking.*

Jean M. Lindberg, pension trust officer, The Chase Manhattan Bank, New York; *A Comparison of the Trust Fund and Deposit Administration Methods of Funding Pension Plans.*

Joseph J. McDermott, assistant trust officer, City Bank Farmers Trust Company, New York; *Turn-pike Securities as Trust Investments.*

S. S. Marshall III, assistant treasurer, New York Trust Company;

*Banking as a Career for the College Graduate.*

Francis J. Moran, assistant treasurer, Lincoln Rochester Trust Company, Corning N. Y.; *A Study of the Community Antenna Television Industry.*

William M. Pritchett, assistant cashier, Federal Reserve Bank, Dallas; *Industrial Development Program for the Commercial Bank.*

Philip M. Smithers, trust administrator, Fidelity Philadelphia Trust Company, Philadelphia; *A Centennial—The Pennsylvania Rule of Apportionments.*

William J. Stephans, Jr., Assistant secretary, Genesee Valley Union Trust Company, Rochester, N. Y.; *A Commercial Banker's Guidebook for Television Advertising.*

Henry T. Webster, trust officer and assistant cashier, First National Bank, Fort Worth; *Accounting for Oil and Gas Interests in Texas Estates and Trusts.*

William W. Wilcox, assistant trust officer, Hartford (Conn.) National Bank & Trust Company; *Life Insurance Stocks—A Guide for the Investor and Analyst.*

Eric Williamson, assistant real estate officer, Dry Dock Savings Bank, New York; *Preliminary Economic Analysis of New Location for Mortgage Investments.*

Robert S. Willis, submanager, First National City Bank of New York, Medellin, Colombia, South America; *Bank Employee Unions: The Experience in Cuba.*

W. Warren Woolsey, assistant cashier, First National Bank, Atlanta; *Mortgage Stand-by Commitments Issued by Commercial Banks.*

Joseph R. Wyatt, Jr., trust officer, First National Trust & Savings Bank, Lynchburg, Va.; *Trust Accounting System That Can Expand.*

THE theses listed here will be available for reference at the A.B.A. Library at 12 E. 36 Street, New York City, which is open to the public. They will also be circulated on request to A.B.A. member institutions and graduates or students of The Graduate School of Banking. Circulation is limited to continental United States; only one thesis may be borrowed at a time; and it may be retained for one week. The borrowers are required to pay return shipping costs. The theses are now being printed and will be ready for distribution on January 15.



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## Federal Tax

(CONTINUED FROM PAGE 46)

end of 1957 a bad-debt reserve of \$30,000 (3 X 1% of \$1,000,000.) Actually, as it comes to the end of 1957 the bank has a reserve for bad debts of \$19,000 (i.e., \$20,000 minus \$1,000.) The 1% loss ratio applied to the \$1,000,000 of loans outstanding would entitle the bank to add \$10,000 to its bad debt reserve of \$19,000, thus bringing the reserve to \$29,000 at the end of the year. This is within the \$30,000 reserve ceiling permissible in this case, so the bank brings the reserve to \$29,000. The \$10,000 so transferred is deducted from taxable income.

Bank B, also having loans of \$1,000,000 and bad debts during 1957 of \$1,000, starts the year with a bad-debt reserve of \$30,000. This bank's 20-year average loss ratio is 0.9%. Its tentative addition to bad-debt reserve in 1957 is \$9,000 (0.9% of \$1,000,000) and its ceiling factor is three times this, or \$27,000. Although the bad-debt reserve has been reduced by the year's \$1,000 of losses, from \$30,000 to \$29,000, it is still above the ceiling factor of \$27,000. Bank B therefore may not add anything to its bad debt reserve at the end of the year.

In presenting its views on the proposed Financial Institutions Act in 1957 the A.B.A. again proposed an industrywide basis as an amendment to the Internal Revenue Code.

Having described above the broad outlines of the Commissioner's suggested formulae for building and maintaining a bad-debt reserve suitable for banking, we shall next present interpretations of the official rulings as they have become available from time to time in response to inquiries.

HERBERT BRATTER

---

The way to pass a 20-ton truck on a 2-lane highway is on a parallel road in the next county.

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## Highway Program

(CONTINUED FROM PAGE 55)

the case of the smaller banks, and limited experience in this specialized field of financing.

With major banks, the matter is one of decision and policy. Some have already established separate divisions for financing the requirements of the Federal road program, with particular emphasis on handling time sales contracts, rental agreements, direct loans to contractors, and inventory accommodation for dealer-distributors. These banks have not overlooked the importance of a close relationship with manufacturers on a carefully sustained basis. They visit the factories several times each year, talking there with the executives of the company familiar with dealer-distributor credit requirements and their financial status to justify it.

### Role for Smaller Banks

It is recognized that one of the important by-products of the present emphasis of the new highway program is a noticeable increase in work projects already awarded, and countless others in the planning stage, by townships, villages, towns, and smaller political subdivisions.

These smaller contracts will go to the smaller contractors. They too will have equipment acquisition financing requirements. The smaller banks will be approached more frequently for this help than has been their experience. They can handle many of these transactions within their own limits. The customer-contractor is local, and known to his local bank. He prefers to do business with his local institution. It is excellent business for everyone concerned.

However, the same local banks will many times be approached for assistance beyond their legal limits. To many of these banks, the type of accommodation itself is new and represents a field in which they have little knowledge and no experience. At the same time, they have a natural desire to assist their customers. They will wish to maintain the customer relationship for the future as well as the present.

There is no good reason why a local bank need lose its customer or his business. However, such banks should act quickly, to ally them-

selves now with a large correspondent seasoned in this field and aware of its possibilities.

These situations—and there will be hundreds of them in the next few months and later—create a splendid opportunity for a practical display of teamwork between the customer's local bank and its large correspondent familiar with this field of financing and experienced as to its problems as well as its stability.

### Correspondent Teamwork

If the accommodation involves a direct loan, possibly for working capital purposes, the large correspondent will send an officer or other qualified employee to meet with the local bank and its customer. They will discuss the proposed loan as to amount, interest rate, and amortization. They will cover the matter of insurance protection for the lender if that is in order, and it should be as a usual thing. After all, it can well be remembered that the average small bank is also interested in writing insurance coverage.

The conference will next cover the subject of the work ahead, contracts already awarded on jobs to be done, and the prospects for more work later on in the work season or next year.

The final phase of this conference will be the careful physical inspection of the proposed collateral, the presently owned equipment, and its



"Your boss says don't worry about your work. It'll be taken care of as soon as he can figure out what you do!"

appraisal. The latter has direct influence on the final loan amount and the amortization schedule.

If the financing problem surrounds the acquisition of new equipment to be purchased, the procedure is only slightly different. The local bank communicates with the large correspondent, reciting the factors pertinent up to that point.

### Customary Procedure

It is customary for this equipment to be sold on conditional sales contracts with downpayment of at least 25% of the cash price. The amortizations vary, depending on work season lengths, type of work to be done, amount being financed, and net worth of customer. Such time contracts are usually sold to banks by the equipment dealer-distributor with recourse, or under the terms of a basic agreement providing for repurchase of the contract should it become three payments in default. Major banks active in this field of financing will confirm that repossession are a rarity.

The local bank can then advise the dealer-distributor that he can proceed with the sale and the conditional sales contract will be purchased promptly whenever the equipment has been delivered and the documents executed.

Should the equipment be acquired under a lease-rental agreement, the same procedure would apply as to the preliminary work by the banks.

The final step is for the local bank to advise the larger correspondent as to how much of the accommodation it wishes to carry, the larger bank carrying the balance, using a simple participation certificate procedure.

### Banking's Opportunity

The American road construction program is going to require substantial accommodation immediately. It appears to the writer that American banking is presented with one of its greatest opportunities to render banking service for the maximum benefit of our population.

It is equally clear that, if American banking does not finance the requirements of the road construction contractors, our competitors will. This situation confronts banking now. We can look upon it as a problem or realistically welcome it as another opportunity to display our ability.

## Directors

(CONTINUED FROM PAGE 51)

prove to be an unsafe and unsound practice as far as liquidity is concerned. And so, safety is not always found in a high-grade bond portfolio or a large, sound portfolio but, rather, in a combination of the two. Perhaps the matter of maintaining a high degree of safety in the bank's investment program, which is the first over-all objective, is really found in the second objective.

The second objective in the investment of the bank's funds is the maintenance of a correct balance of the various types of investments with the various types of deposit liabilities. Each bank will have its own characteristics as to the nature of its deposit liability. Some banks will have a deposit liability which is quite volatile. Other banks will find that their deposit liability is rather stable. Obviously, an investment program that would suit the bank having a stable liability would not necessarily be appropriate for the bank with a volatile liability. It is the responsibility of the bank's board of directors to ascertain the nature of the bank's deposit liability and then to adopt policies regarding the proportions of investment to be made in various types of loans, in various maturities of bonds, and in various kinds of bonds.

### Study of Deposits

Determining the nature of the deposit liability requires that a study be made of the history of the bank's deposit growth, seasonal deposit fluctuations, and daily withdrawals. The size of the various accounts involved in the total picture must be considered. From all of this information a determination can be made of the percentages of the deposit liability to be invested in cash, in short-term highly liquid securities, in a revolving loan portfolio, in long-term loans, such as mortgages, and in longer-term but higher yielding bonds.

It is not just enough that the bank directors provide a high degree of safety and liquidity for the depositors' funds. An investment program having only these objectives in view would be comparatively easy of accomplishment. However, the directors must also keep in view the third objective of an investment

program, which is to provide sufficient income with which to operate the bank and meet the other requirements that are the responsibility of the directors.

The largest single item of expense in any bank is its payroll. In addition there are other expense requirements, such as interest on saving deposits, insurance, stationery, advertising, telephone, etc. Naturally, these items must be paid for and the income from the investment program of the bank must provide the funds with which to pay them. However, there must be sufficient left over after paying expenses and income taxes to do other things for the owners of the bank and to meet the requirements of the supervisory authorities. And this leads us to the next aspect of the director's responsibility in the investment program of the bank.

### Earnings, Dividends

In the earlier article we mentioned that the bank director is the elected representative of the shareholders and that it is part of his job to further the shareholders' interests. Therefore, the directors should see that there are sufficient earnings after taxes with which to pay the shareholders a fair dividend upon their stock. There are many opinions of what is a fair dividend, and probably all such opinions have some merit. This writer's own opinion is that dividends to the shareholders should be paid in an amount that would provide a return upon the book value of the stock at the current rate of return available upon common stocks in general. For instance, at the present time common stocks generally are selling at better than a 5% return on the market value. It is the writer's contention that a fair dividend to shareholders on a bank's stock is one that would provide at least a 5% return on the book value of the stock. If this is done, the market value of the stock will very quickly rise to a point where the return is at 5% of the market value. Thus, the directors of the bank, in formulating and providing for a fair dividend policy, will also have fulfilled another obligation to the shareholders by creating a situation that enables shareholders to sell their stock easily at approximately its book value.

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directors have a responsibility to the depositors of the bank to see that their deposits are further protected by the building of adequate reserves for future contingencies. In this way, fluctuations in the business cycle will not jeopardize the depositors' funds. Such reserves for future contingencies are provided from the income from the investments, after expenses of operation, taxes, and payment of a fair dividend.

Because of the importance of each of the things that the income from the investment program must provide for—expenses, taxes, dividends,

and reserves—it is imperative that adequate policies be adopted by the board of directors regarding the investment program. It is not enough that adequate liquidity is provided or that ultimate safety is a goal. It is also necessary that the diversification of the program be such that the collective income from the various segments of the program will be sufficient to do the job that has to be done.

Part of the bank's investment program will be the purchase of bonds of various maturities and of various kinds. How much of the bond port-

folio should be in Government bonds and how much in tax-free municipals or corporate bonds is an item that requires a fine study of all of the factors involved. Very few boards of directors of the banks in our nation include a man or men, who can qualify as experts in the matter of selecting bonds as part of the investment program of the bank. Nevertheless, it is the responsibility of the board to make these decisions. The wise board of directors will employ the services of an expert advisory service on bond investments, or will lean heavily upon the advice and counsel of their correspondent bank.

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## The Loan Portfolio

The other part of the investment program of the bank is the loan portfolio. It is in this particular phase of the investment program that the directors will be able to be of great service to the bank. Because the individual members of the board generally represent a good cross-section of the successful business and professional men of the community, they are familiar with local economic conditions and with the local businessmen who come to the bank for loan accommodations.

One of the responsibilities, in connection with the loan portfolio, is to formulate policies for the guidance of the officers of the bank in accepting and administering loans. These policies should include the following considerations: First, the limitations of the area within which the bank will operate its lending activities; second, the types of loans which the bank will consider as acceptable in its portfolio; third, the maximum payment terms that will be granted the borrower consistent with safety and current economic conditions; and fourth, the rates of interest that will be charged on various types of loans.

It is obvious that policies regarding the above mentioned items must be reviewed from time to time in order to ascertain that they are adequate and meet current conditions.

And so we see that another ethical responsibility of a bank's board of directors is to design and operate the investment program of the bank. With the prime objective being a high degree of safety, consideration must be given to the need for liquidity of the depositor's dollar and provision made for the income needs of the entire bank's program.

# How the Federal Wage-Hour Law Applies to Banks

*The following questions and answers are from a booklet published under the above title by the Wage and Hour and Public Contracts Divisions of the U. S. Department of Labor. We reprint here the first four pages of the booklet's total of 24. The remaining questions and answers will appear in later issues of BANKING*

## **Coverage of the Fair Labor Standards Act**

*Q. Does the Fair Labor Standards Act (Federal Wage-Hour Law) require banks to pay their employees a minimum wage of \$1.00 an hour and time and one-half their regular rates for all hours worked over 40 a week?*

A. Yes. If the employees are engaged in or produce goods for interstate or foreign commerce, the statutory minimum wage and overtime requirements apply, unless a specific exemption is applicable.

*Q. What agency administers the Fair Labor Standards Act?*

A. The Wage and Hour and Public Contracts Divisions of the United States Department of Labor administer this law. Regional offices are located in Boston, New York, Philadelphia, Nashville, Birmingham, Cleveland, Chicago, Kansas City (Missouri), Dallas and San Francisco. There is at least one field office in almost every State.

*Q. What typical activities of bank employees are of interstate character?*

A. Employees who regularly handle, transmit, or receive money, drafts, checks, bonds, stocks, bills of exchange, negotiable notes and other commercial paper across State lines are engaged in interstate commerce within the meaning of this Act. Other such activities include use of telephone, telegraph and the mails for interstate communication. The preparation of papers and documents which are sent across State

lines constitutes production of goods for interstate commerce.

*Q. Must bank employees actually be engaged in banking operations to be covered by the law?*

A. No. Employees are also covered if they are engaged in occupations which are closely related and directly essential to the banking operations in interstate commerce, including maintenance and custodial employees such as guards, watchmen, porters, janitors, messengers, elevator operators, engineers and mechanics.

*Q. Are general custodial and maintenance employees of an office building covered by the law if a bank occupies only a part of the building?*

A. Yes, if the bank occupies 50% or more of the rentable space in the office building, without regard to whether the building is owned by the bank. If the bank occupies less than 50% of the space in the building, however, such employees are not covered if the remainder of the space is occupied by the usual miscellaneous professional and local business offices.

*Q. Are bank employees covered by the Act who are engaged in regulating and operating the drive-in banking space?*

A. Yes. On the other hand, attendants of a parking lot adjacent to a bank and operated for the convenience of the bank's patrons would not be covered.

*Q. Are employees of a bank under the minimum wage and overtime*

*requirements of the law if they are engaged in providing food, refreshments or recreational facilities for the bank's employees?*

A. No.

*Q. May employees work in banks as learners or messengers at wages lower than the statutory minimum wage?*

A. No. Only student-learners and handicapped workers, as defined, may be employed at wages lower than the statutory minimum under special certificates issued by these Divisions.

*Q. Are employees of banks, trust companies and similar establishments exempt from the minimum wage and overtime requirements as employees of retail or service establishments?*

A. No. Such establishments do not provide services which are recognized as retail in the industry.

*Q. Does any branch of banking qualify for an overtime exemption as an industry or branch of an industry found by the Department of Labor to be of a seasonal nature?*

A. No.

## **Overtime Compensation**

*Q. Does the Fair Labor Standards Act restrict the maximum number of hours which an employee may work?*

A. No. But if an employer employs a worker for more than 40 hours in a workweek, he must pay him not less than one and one-half times his regular rate for each of the hours worked over 40, unless a

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specific overtime exemption applies. There are hour limitations for the employment of minors under 16 years of age as discussed below under the topic, Child Labor Requirements.

**Q.** What is the "regular rate" of pay upon which overtime is computed?

**A.** The regular rate is a rate per hour obtained by dividing the total pay for the workweek, except any overtime premiums and other payments excluded by law, by the number of hours for which it is paid. The regular rate may be more than \$1.00 an hour, but it may not be less.

**Q.** What is a "workweek"?

**A.** An employee's workweek is a fixed and regularly recurring period of seven consecutive 24-hour periods. It need not coincide with the calendar week, but it must begin at the same hour and day each week and may be changed only if the change is intended to be permanent. A workweek may be established for the bank as a whole or different workweeks may be established for groups of employees within the bank.

**Q.** Does the Act require an employer to pay his employees each week and at an hourly rate?

**A.** No. An employer may pay his employees at weekly, biweekly, semi-monthly, etc., intervals, and at hourly or piece rates, on a salary basis, or combinations of these and other types of payment.

**Q.** May an employer average a worker's hours over more than one workweek in computing overtime pay?

**A.** No. For example, if an employee worked 38 hours in one week and 42 in the following week, he must be paid for two hours' overtime in the second week.

**Q.** Does the Act require overtime payment for work on Saturdays, Sundays, holidays or regular days of rest, or for hours in excess of eight a day?

**A.** No. It only requires overtime pay for hours worked in excess of 40 in the workweek, unless a specific exemption applies, such as the executive, administrative or professional employees' exemptions.

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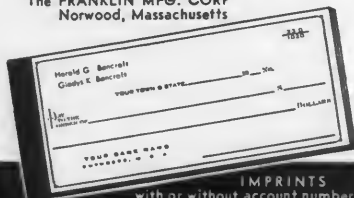
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in upper left corner or over signature

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Write to

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12 East 36th Street, New York 16, N. Y.

## Insurance Pointers

(CONTINUED FROM PAGE 58)

Nonfiling or nonrecording insurance is of interest especially to banks doing a big instalment credit business. To protect themselves against subsequent liens on mortgaged property or judgments against the borrower, it is usually necessary that the bank file with the proper public official a copy of the conditional sales contract, chattel mortgage, or bailment lease. The time and fee involved in such filing may be avoided through a Chattel Mortgage Nonfiling Insurance Policy, which indemnifies only for losses resulting solely from nonrecording. The policy is useless on motor vehicles in states having a Certificate of Title Act.

### Postal Insurance

Some bankers have the mistaken idea that the registered mail postal surcharge fee provides full insurance protection. It doesn't always and never does when the value of the shipment exceeds \$10,000. That fee is mainly a carrying charge based on value, on the theory that the greater the value the more care the postoffice must give to avoid possible loss. Hence it is important that a bank mailing its own or customers' securities or money be insured. A blanket registered mail policy gives protection on declared shipments up to specified limits per envelope or package and total value that may be sent to any one addressee in any one day.

Under registered mail insurance, banks should use full value for non-negotiable securities rather than just the estimated cost of a lost securities bond. Otherwise the bank may have to go through all the negotiations needed to secure their reissuance and possibly lose the benefit of a favorable market position pending reissuance of the securities. The premium rate for full-value insurance is very favorable.

In addition to the Registered Mail and Express Policy which insures physical loss of, damage to, or destruction of money, checks, coupons, securities, and a long list of other property ordinarily sent by banks by mail or express, several other mail insurance contracts are available. These cover, *inter alia*,

(CONTINUED ON PAGE 138)



**SWING SHIFT AT CROCKER-ANGLO . . .** a familiar night scene. Several floors above, the bank's 'round-the-clock staff processes your correspondent transit items to reduce the time "in float". This means that funds in transit are immediately credited to your account.

Another reason banks and bankers like the way Crocker-Anglo does business.

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**70 offices in Northern and Central California**



*California's Oldest National Bank*

Member Federal Reserve System • Member Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 136)

nonnegotiable securities sent by ordinary first class mail. First Class Mail Policy (Form B) covers up to \$500 of specified negotiable items mailed in one envelope. Larger mailings may be insured under First Class Mail Policy (Form M).

Records destruction insurance can be very valuable to a bank experiencing a disaster on its premises. This policy gives coverage for all loss of or damage to records of loan or mortgage transactions, trust agreements, deposit information, etc. In addition to covering the cost of

physically replacing the records, which is covered by bankers blanket bonds, this policy also covers the cost of research, which is not included in blanket bonds.

No less important to many banks is accounts receivable insurance, which covers all funds due the insured from customers, provided loss or damage to records of accounts receivable prevents effecting collections.

Tellers' shortages not in excess of so-called normal amounts are assumed to be due to errors. Such shortages may be insured under Form 24 blanket bond for an addi-

tional premium. However, the A.B.A. does not recommend this insurance lest it promote laxity. Larger than normal tellers' shortages not known to be due to error are covered by blanket bonds.

An aspect of liability insurance which has become more important in recent years, due to the popularity of bank modernization, has to do with claims that may arise as a result of contractor-caused losses. Sometimes, especially in cases of minor repairs or alterations, the bank fails to inquire into the liability or workmen's compensation insurance held by the contractor. The size of the repair job being done bears no relation to the injury which may be sustained by a visitor to the bank. Even though the bank has no legal responsibility in a particular instance, its standing may be injured if the contractor who is responsible happens not to be insured.

A bank may be subject to damages not covered by the standard Owners, Landlords and Tenants Liability Policy because of an off-the-premises accident other than automobile in which a bank employee is involved. Insurance may be had against this exposure under the Comprehensive General Liability Policy.

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MIT

Dividend Announcement

## Massachusetts Investors Trust

DECLARES ITS

133<sup>rd</sup> Consecutive Dividend

11 cents a share, from net income, payable December 24 to shareholders of record November 29, 1957.



ROBERT W. LADD,  
Secretary

200 Berkeley Street, Boston

PHARMACEUTICAL PRODUCTS FOR  
THE MEDICAL PROFESSION SINCE 1888



Laboratories

The Board of Directors has declared the following quarterly dividends, payable January 2, 1958, to stockholders of record Dec. 6, 1957.

• 45 cents a share, plus an extra dividend of 10 cents a share, on Common Stock.

• \$1.00 a share on Preferred Stock.



Consecutive  
Dividend

Nov. 26, 1957 / North Chicago, Illinois

### Why Pass Up Extra Commissions?

Leading passbook manufacturer now has several territories open for aggressive men calling on banks to sell all types of passbooks and pocket check covers. Commission basis.

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1270 Ontario Street • Cleveland 13, Ohio

### All Risks Are Covered

For every banking activity involving risk, some form of insurance is available. In this series of articles we have been able to review only the highlights of the subject. Some types of insurance of interest to banks or their customers we have not even mentioned: e.g., marine insurance, protection of branch banks abroad, war risk insurance, flood insurance. Our survey has been sufficiently broad, however, to disclose the indispensability of adequate insurance in banking operations. What a bank should do to keep on top of this subject will be discussed in the next article.

Every girl should remember in seeking a model husband that there are two models: sport and working.

*The most effective way for abolishing war forever is to have World War III.*

### ATTRACTIVE EARNINGS FOR SALESMEN!

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When it comes to property insurance, the man to see is The Home Insurance agent in your town.

And listen to the JACK BENNY SHOW every Sunday over your local CBS Radio station,

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Its Formation and  
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Studies the growth of financial institutions, the growing practice of entrusting savings to such institutions, and measures the assets held by financial intermediaries. Published for the National Bureau of Economic Research. \$8.50

### Banks and Politics in America

From the Revolution  
to the Civil War

BY BRAY HAMMOND

"For any banker or business man interested in American history, this book offers a fascinating and unusual combination of politics and banking spiced with some provocative reasoning by the author."—*N. Y. Times*. \$12.50

Order from your bookseller, or from  
**PRINCETON UNIVERSITY PRESS**  
Princeton, New Jersey

# New Books

**ESTATE PLANNING AND TAXATION.** By *William J. Bowe*. Dennis & Co., Buffalo, N. Y. 2 Vols. \$36. Wills, trusts, life insurance, gifts, forms of ownership, business purchase agreements are among the topics discussed in this work by the professor of law, University of Colorado, who has had monthly articles in this magazine for some time. All the subjects are considered in their tax and nontax aspects. Typical clauses and 44 complete forms of wills, trusts, and agreements illustrate drafting techniques that accomplish tax savings. There are nine model estate plans, with documents. Fourteen men are listed as contributors.

**INFORMATION PLEASE ALMANAC** 1958. Macmillan, New York. 960 pp. Paper \$1.25; cloth \$2.50. New features include developments in science, a guide to newspaper reading, information on investing, and a refresher in algebra for parents. There are the usual statistics, lists, chronologies, and other fact-book standbys.

**HISTORY OF THE DOLLAR.** By *Arthur Nussbaum*. Columbia University Press, New York. 308 pp. \$4.50. The story of the American monetary system, concisely told.

**THE LAW OF MOBILE HOMES.** By *Barnet Hodes* and *G. Gale Roberson*. Commerce Clearing House, Inc., Chicago. 464 pp. \$14.75. Covering a new and growing field of law, this book collects, correlates and discusses case and statute law having to do with the regulation, licensing, taxation and zoning of mobile homes and mobile home parks. It also encompasses the rights and liabilities arising from the relationships which have come into existence as a result of the manufacture, sale and use of mobile homes. A useful feature is an appendix in which the authors have included a compilation of the state and Federal statutory law on the subject, together with suggested model statutory provisions. There is a table of cases and an adequate index.

**ATOMIC ENERGY IN AGRICULTURE.** By *William E. Dick*. Philosophical

Library, New York. 150 pp. \$6. The use of atomic radiation to (1) increase farm and forestry efficiency by rapidly "modernizing" plant types, (2) preserve food, and (3) control farm pests. The author points out the necessity of close working relationship among biologists, physicists, chemists, radiochemists, cytologists and geneticists. He translates scientific information into terms understandable by laymen.

### Other Books

**EXECUTIVES FOR GOVERNMENT.** By *Paul T. David* and *Ross Pollock*. The Brookings Institution, Washington, D. C. 186 pp. \$1.50. Central issues of Federal personnel administration.

**SOME FINANCIAL TRENDS OF NATIONAL AND STATE COMMERCIAL BANKS IN INDIANA, 1915-1954.** By *Rev. Joseph A. Kehoe*. Catholic University of America Press, Washington, D. C. 47 pp. 75 cents. Abstract of a doctoral dissertation.

**ECONOMICS OF ATOMIC ENERGY.** By *Mary S. Goldring*. Philosophical Library, New York. 179 pp. \$6. A critical discussion of the growth of Britain's nuclear power.

**KHRUSHCHEV OF THE UKRAINE.** By *Victor Alexandrov*. Philosophical Library, New York. 216 pp. \$4.75. A biography.

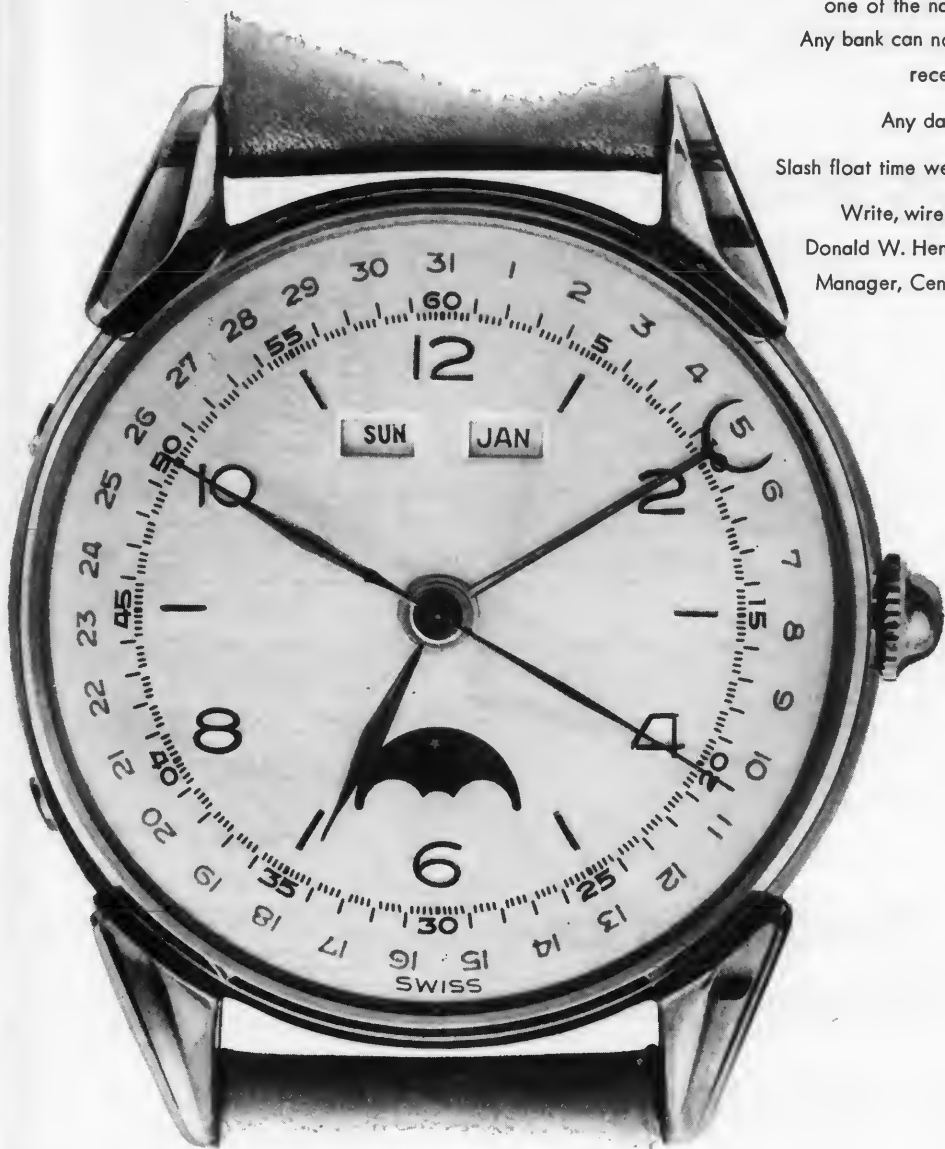
**A HANDBOOK OF KOREA.** By *Chae Kyung Oh*. Pageant Press, New York. 389 pp. \$5. This is a publication of the Republic of Korea, written by its Director of Public Information, with the help of leading Korean scholars and departments of the government. Sections deal with aspects of cultural and economic life, and there are several official documents reprinted in full.

**ECONOMIC FICTIONS.** By *Paul K. Crosser*, Philosophical Library, New York. 322 pp. \$4.75. "A critique of subjectivistic economic theory."

### Correction

The price of **FINANCING GOODS** by *Albert G. Sweetser*, reported in this department for December, is \$8, not \$6 as listed. The book is available from the author, Newton Highlands 61, Mass.

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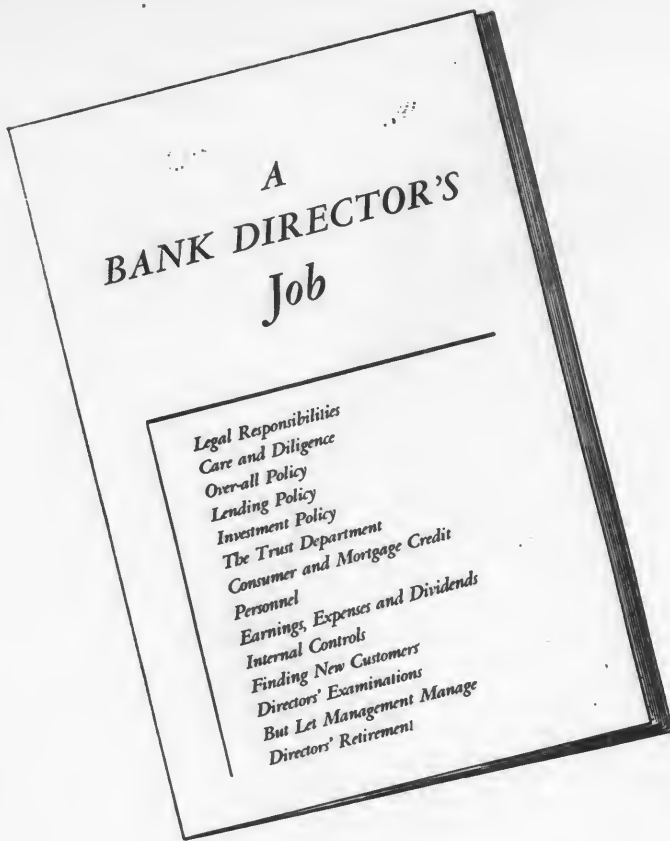
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January 1958

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*Associate General Manager*  
(non-domestic business)

## *Condensed Annual Statement* as on 30th November, 1957

### ASSETS

Cash on hand and due from banks (including items in transit) ..	\$ 540,240,109
Government of Canada and provincial government securities, at amortized value .....	672,276,365
Other securities, not exceeding market value .....	505,688,414
Call loans, fully secured .....	238,163,548
<b>Total quick assets .....</b>	<b>\$1,956,368,436</b>
Other loans and discounts .....	1,431,188,052
Mortgages and hypothecs insured under N.H.A. (1954) .....	216,590,777
Bank premises .....	34,559,150
Liabilities of customers under acceptances, guarantees and letters of credit .....	112,413,852
Other assets .....	9,424,350
	<u>\$3,760,544,617</u>

### LIABILITIES

Deposits .....	\$3,426,683,145
Acceptances, guarantees and letters of credit .....	112,413,852
Other liabilities .....	19,444,074
<b>Total liabilities to the public .....</b>	<b>\$3,558,541,071</b>
Capital paid up .....	50,400,000
Rest Account .....	151,200,000
Undivided profits .....	403,546
	<u>\$3,760,544,617</u>

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COLOMBIA, PERU, URUGUAY, VENEZUELA, CUBA, HAITI, PUERTO RICO,  
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# The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 33)

and this will probably carry through the next few months, there is no mathematical reason to expect a long or severe decline. That is, if we put merely the unemotional figures through an electronic brain—and there are those who plan to do this very thing—the answer in a split second would probably be that business can start whooping it up again in the second half of this year. The thing that the electronic brain overlooks is the psychological factor.

## Over-all Construction Still High

As long as business was pressing to spend more and more each year for plant, equipment, and office space, in order to beat rising costs, the watchers of statistics had one convenient figure to reckon on—\$29-billion in 1955, \$35-billion in 1956, and \$37-billion in 1957.

Reasons for the decline in business spending are evident in estimates indicating an over-all excess capacity of 8% in 1955, 14% in 1956, and 18% in 1957. On top of this is a currently high rate of inventory liquidation by manufacturers and retailers.

The publicizing of over-capacity data, especially in the steel industry, is bringing into the open a lively debate on their value and authenticity. Industrial capacity has been rising very fast in recent years, and production as a percent of capacity has been dropping. Part of this drop has been the working down of inventories by users, thus distorting the whole picture until its value as a barometer is obscure and its authenticity doubtful.

Now that excess capacity exists in many industries and business spending is heading downward, there is a tendency to look around for some equally powerful factor to resume the boom. Consumer spending and personal income, which seemed to be sustained in spite of the lull in other directions, are now slowing down.

Housing and automobiles, which had their breather the past year or so, now seem to be looking up, although home building has more substantial reasons for hope than the automotive field. The automobile people are more optimistic than last year, but it must be remembered that some industries may appear more hopeful than others because they are more concentrated and have good public relations departments.

Some outstanding authorities on the business outlook are placing much emphasis on the importance of a good automobile year in determining the whole outlook. One of these is Herbert Prochnow of Chicago's First National Bank. He suggests a close watch on how the public accepts the 1958 models.

Another thing, and a very important one, says this careful observer, is the possibility that total construction this year may equal or exceed 1957 in spite of a prospective drop of about 7% in business investment for plant and equipment. Filling the gap will be a rise in construction of municipal and public utility projects, plus a small increase in housing starts.

The cross currents in today's picture appear when we try to list the principal factors and make some kind

of division between them as tending upward or downward. Those operating in a general way to turn the trend upward include:

- (1) An expanded defense and foreign aid program.
- (2) Easier credit.
- (3) Probably less pressure for wage increases, with possibly a better profit outlook than now seems in the cards. The exposure of union abuses of power, the international outlook, and the general business outlook may temper union demands somewhat, but most labor leaders still talk as though they are using last year's speeches and are not reading the papers.
- (4) Continual consumer demand at a high level. Disposable income is at an annual rate of \$303-billion. It was \$287.2-billion in 1956 and \$206.1-billion in 1950.
- (5) Increased construction by state and municipal governments and by public utilities.
- (6) The fact that a great deal of readjusting has already taken place in many industries over the past two years. Indexes of production and prices show this plainly.
- (7) It's election year and the traditional time for the Government to apply inflationary rouge and make business look glamorous for the voters.

Obviously the above items, whether we call them favorable or inflationary, represent slim pickings. The menu for the down side is much simpler to pick out and more impressive:

(1) A world situation which could conceivably be a tragic turning point if we do not find the solutions without delay. This includes the possibility of going on something like a war-footing with controls, priorities, and the like.

(2) An abundance of political troubles and little wars here and there stemming chiefly from the free world trying to act anti-colonial and Russia stepping in where we step out. In their efforts to assume an anti-colonial posture the West, which built today's civilization, often bends over backward so far as to appear ridiculous in the eyes of former colonial peoples.

(3) Inflationary pressures in varying degrees around the world, even to the point of collapse in some important countries.

(4) Increasing over-capacity in industry.

(5) A downward trend in corporate profits, especially in relation to the vastly increased capital investment. This is coupled with the disappearance of any hope of tax relief, also a resumption of the fight by free traders and low-protectionists for a reduction in tariffs.

(6) Rising unemployment, which some predict will reach 5,000,000 during this winter.

(7) The lower demand for bank loans, an effect and not a cause. Lower rates on bank loans are not likely to result immediately from the lower discount rate, because most of the money banks have to lend is costing them more in interest rates to depositors.

A most heartening aspect of the outlook is that the Government, business, and the general public seem fairly alert to the nation's problem. There is a determination to find the answer to our repeated defeats in the cold war and not dig back through the dismal record of top-level bloopers.

WILLIAM R. KUHN

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ERIE, PENNSYLVANIA



A NATIONAL SYSTEM has simplified the accounting procedure of the Champaign County Bank & Trust Company.

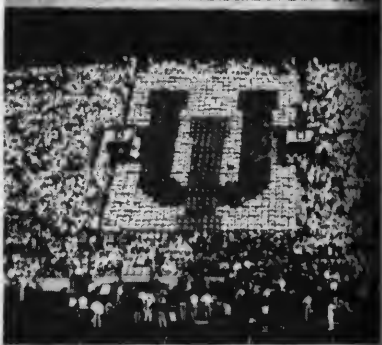
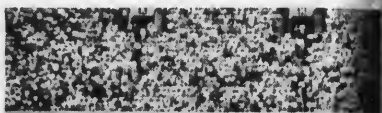
A NATIONAL CLASS 32 BANK MULTIPLE DUTY MACHINE handles many internal accounting records.



C. A. WEBBER, President and Trust Officer of the Champaign County Bank & Trust Company.



THE CHAMPAIGN COUNTY BANK AND TRUST COMPANY, Urbana, Illinois.



FAMOUS "FIGHTING ILLINI BLOCK I" formation executed by student cheering section during a Big Ten game.

"Our *National* System  
 repays its cost every 3 years...  
 returns 35% annually through reduction in operating costs."  
 —Champaign County Bank and Trust Company, Urbana, Illinois.

"Our bank was established in this fine University community—known throughout the country as the home of the 'Fighting Illini.' Like all banks, we are a service institution. Good service means good customer relations, a pleasant, well-trained staff, and accurate, neat records produced as economically as possible on modern equipment," writes C. A. Webber, President and Trust Officer of the Champaign County Bank and Trust

Company. "Our National System has increased the efficiency of our operation and, as a result, lowered operating costs for us!"

"We find that our National System repays its cost every 3 years, returns 35% annually through reductions in operating costs!"

*C. A. Webber*  
 President and Trust Officer  
 Champaign County Bank and Trust Company

Your bank, too, can benefit from the time- and money-saving features of a National System. Nationals pay for themselves quickly through savings, then continue to return a regular yearly profit. For complete information, call your nearby National representative today. He's listed in the yellow pages of your phone book. ☎



**THE NATIONAL CASH REGISTER COMPANY, Dayton 9, Ohio**  
 989 OFFICES IN 94 COUNTRIES

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