

Annual Report and Outlook Issue, including Exhibits-in-Print

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

SEPTEMBER 1960

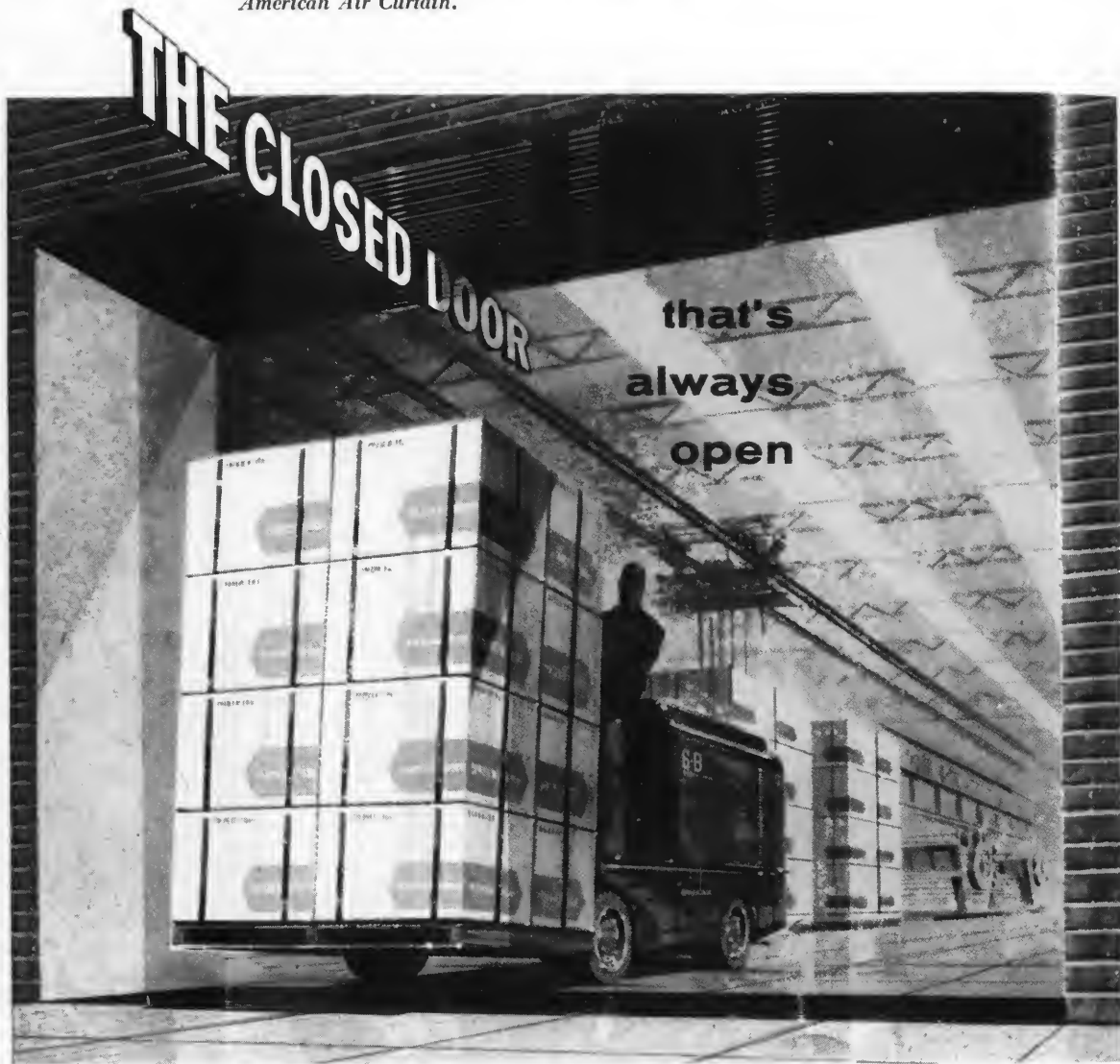


**Changing Financial Geography:
IV—Northeast**

**What Our Balance
Sheet Really Shows**

Page 35

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In This Issue

Good Reading—and Lots of It!

A GLANCE at the table of contents—indeed, just the weight of the magazine you're holding—tells you that there's plenty "in this issue." Our custom, for the month that precedes the Association's annual convention, is to produce a number worth keeping for its reference value: tables, charts, projections and commentaries on the state of business, money and credit, and of course banking. There's no room for details in this column, but we'd like to get in one thought: the 1960 Annual Report and Outlook Issue bears out last month's forecast for it—"bigger and better than ever."

The A.B.A.'s 86th

IT'S being held in New York, September 18-21, and in anticipation we offer a special 16-page section which contains the convention program, pictures of people who have directed the Association's work during the administrations of President Remington and Vice-President Bimson, and a reminder of A.B.A.'s other annual conventions in New York. The first held there was in 1877.

Exhibits in Print

ALTHOUGH space limitations prevent the mounting of the familiar Educational Displays at this year's convention, **BANKING** offers a substitute. It's a 50-page Exhibits-in-Print section wherein the manufacturers of bank equipment and the providers of services offer their messages. In this section there's interesting, informative editorial material, mostly on automation. We're thinking particularly of a piece by **BANKING**'s Dick Kraybill on how a computer works. (Bet you don't know!) And another by Thomas W. Miles on the ABCs of magnetic ink character recognition.

They'll Be Back Next Month

INCIDENTALLY, some of our regular features are omitted to make room for other material. Thus the Business Building Bulletin, Better Methods and Systems, and the departments on Savings, Instalment Credit, Housing and Mortgages do not appear in their accustomed formats. However, numerous items in those categories are scattered through the back pages. And everything will again be normal, come the October magazine.

Meanwhile, good reading in *September*!



THIS MONTH'S COVER

Doug Anderson's map this month—as in June—makes reference to the series of articles by Carl H. Madden on "Our Changing Financial and Business Geography." The last of the four parts, appearing this month, deals with the Northeast, which accounts for the suggestion of Wall Street buildings and New York Stock Exchange facade in the northeastern corner of the map. Then, too, the drawing performs a double duty, for it also reminds readers that September is the month of the American Bankers Association convention in New York City, and that many attending it will use the opportunity to become better acquainted with the Northeast while they are in the neighborhood

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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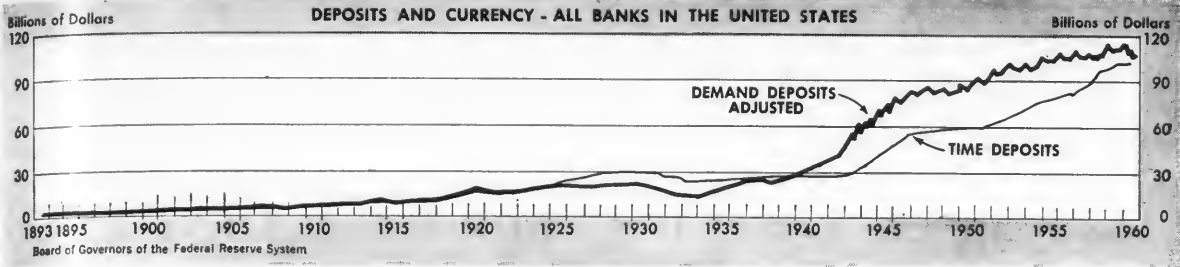


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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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BANKING’S EXHIBITS IN PRINT

For the latest information on developments in bank equipment and services, turn to page 203 for a list of subjects covered.

BANKING'S Investment Forum

Prospects Good for Bank Stock Investors

PUSHED by peak interest rates and a sustained high volume of loans, bank earnings so far this year have shown appreciable gains over the first six months of 1959, notes *The Value Line Investment Survey*. The peak (5% "prime") lending rate had been in effect for nearly a full year by mid-August. Banks have largely completed the "roll-over" of portfolios at the higher rate. This fact effectively precludes comparable earnings gains during the remainder of 1960.

"Even should loan interest rates be reduced," the *Survey* states, "the impact on 1960 bank earnings would be slight, due to the time required to turn over the bulk of outstanding loans at the new rates. Equally important, an easier money policy is almost inevitably accompanied by a significant expansion in total bank deposits and assets which largely compensates for the gradual decline in the rate of return earned thereon and thus maintains earnings close to the previously reached plateau."

On balance, the next 12 months

should see a leveling off, or at worst a slight decline, in earnings. This, the *Survey* points out, would still leave 1960 earnings well ahead of 1959 in most cases. With current dividend payments at historically low levels, a general liberalization of dividend rates appears in prospect.

"Most of the leading bank equities are reasonably priced in relation to earnings and dividends in sight for the next 12 months," says the *Survey*. "They are ranked, for the most part, in Group I (highest) or II (above average) relative to all stocks, for probable market performance in the next 12 months. In addition, they offer top investment quality, a satisfactory and entirely safe current dividend return, plus the prospect of gradual but well defined appreciation potentiality over a period of years. Hence, the bank group presently constitutes one of the best havens for the funds seeking shelter from the threat of a general stock market decline."

In Canada as in this country, the combination of expanding loan vol-

ume and peak interest rates has been a major impetus to higher earnings. Many Canadian bank stocks appear attractive for both current income and capital gains prospects, the *Survey* concludes.

Earnings to Show "Satisfactory Increase"

OPERATIONS of the nation's banks during 1959 were conducted in an atmosphere of strong economic expansion, heavy credit demand, and rising interest rates, according to *Data on Commercial Bank Stocks*, published by The First Boston Corporation. As a result of the strong demand for credit accommodations at higher interest rates, many banks reported the highest level of net operating earnings in their history.

In 1959, interest rates generally rose to historic levels, with rates on some types of borrowing reaching their highest levels in the last 30 years, the booklet said. The average new-issue rate on 3-month Treasury bills rose to a high of 4.67% in the latter part of December, and for the year averaged 3.40%.

Although the general level of interest rates has been lower in 1960, net operating earnings of the major banks for the year are expected to show a satisfactory increase over 1959.

The New York Banks

ALTHOUGH the payout ratio of the stocks of New York City Clearing House Association banks will drop to 47.7% in 1960, based on current dividend rates and estimated net operating earnings, according to M. A. Schapiro & Co., New York brokers and dealers in bank stocks, the stockholder still has good reason to expect a bigger cut of the bank profits pie.

(CONTINUED ON PAGE 6)

The following table, reproduced from M. A. Schapiro & Co.'s *Bank Stock Quarterly*, shows that, while capital strength and earnings have climbed sharply for New York City banks during the past decade, there has been a notable decline in the dividend payout

	Average Capital Accounts		Net Operating Earnings (000,000)	Cash Dividend	
	(000,000)	Percent of Deposits		(000,000)	Percent of N. O. E.
1960 est.....	\$3,480	12.00%	\$360.0	\$171.8	47.7%
1959.....	3,298	11.14	314.5	169.2	53.8
1958.....	3,192	10.82	273.3	162.1	59.3
1957.....	2,958	10.70	272.8	151.5	55.5
1956.....	2,791	10.04	241.1	132.9	55.1
1955.....	2,695	9.80	206.5	122.4	59.3
1954.....	2,642	9.79	186.5	112.7	60.4
1953.....	2,532	9.76	178.3	103.4	58.0
1952.....	2,451	9.40	164.3	94.4	57.5
1951.....	2,370	9.44	144.1	93.0	64.5
1950.....	2,308	9.88	135.1	89.0	65.9

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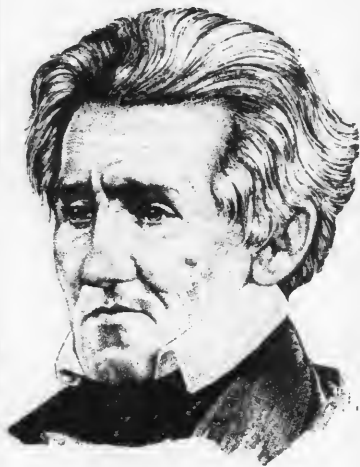
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(CONTINUED FROM PAGE 4)

The reasons given are that although earnings hit a new high last year, the payout ratio for the New York banks declined to 53.8%, with a ratio of capital to deposits of 11.14%. The estimated payout ratio will drop to 47.7% for 1960, compared with the higher payout of 65.9% in 1950 when capital amounted to only 9.88% of deposits.

Factors Pointing to Higher Dividends

So far this year net operating earnings (before profits or losses on sales of securities, charge-offs and recoveries, and transfers to or from reserves) 25 of the nation's largest commercial banks have reported a 20% increase over the comparable period last year, when banks net operating earnings reached \$628,458,000. This year, earnings of these banks are expected to increase by 16%.

Feeling that all this should add up to a pay-off, M. A. Schapiro & Co. says that "there is good reason for stockholders to expect an increase in cash dividends."

A New York analyst agrees that additional dividends are almost certain this year and he points to the fact that the First National Bank of Boston took the lead by increasing its annual dividend rate from \$2.80 to \$3.00 early this year.

Another favorable factor mentioned by dealers is that little or no losses in Government securities are expected in 1960. In fact they point out that many banks have already realized considerable profits. Of course, these profits go on the capital or reserve account books; how-

ever, this leaves more cash for dividends in the net earnings till.

Stockholders are also quick to point out that loans reached new peaks this year, with little evidence of a decline in demand. Yields on bank loans and investment portfolios have risen to reflect the prevailing market rates, the prime rate having hit the highest level in two decades. Other sources of income, such as fees and commission, have also added to the record earnings.

Dealers claim that the continued decline in bank stock prices has brought "price-earnings ratios and yields to more favorable levels," and feel that the market will continue to progress. There was a time when bank stocks were bought only as "defensive" securities; however, within the last 10 years the stockholder's money in banks has increased over a billion dollars, while the rate of return has risen 5.30%. Most of this increase has been due to the continued heavy buying of institutional investors, mutual savings and insurance companies. However, mutual funds have entered the buying picture relatively recently. Now the total outstanding shares just top the \$5-billion mark.

Although there is little likelihood that bank stocks will return to the kingpin days of the Twenties, dealers generally feel that the days of "defensive" bank stock buying are passed.

Bank Capital a High Earner

NOT to be overlooked in the steady post-war climb in net operating earnings for commercial banks is the fact that their return on capital is reaching levels that compare favorably with those for industrial and

E and H Bond Holdings at Record Level

BEGINNING in July, the Treasury Department changed its reporting basis on the ownership of Federal securities by individuals. In the future it will list the amount of Series E and H Savings Bonds separate from Series A-D, F, G, J and K, which have matured or been discontinued. Lumping the bonds that are no longer for sale with the current E and H Series caused the Treasury to show a \$200,000,000 decline in the amount of Savings Bonds outstanding during the first quarter of 1960. Actually, the amount of Series E and H Bonds outstanding in the hands of individual savers has steadily increased from \$1.1-billion at the end of 1941 to the current record level of \$42.6-billion estimated for the end of July 1960.

other nonbank concerns. For example, for the 12 months ended March 31 the New York City Clearing House Association banks earned 10.08% on capital accounts—stockholders' money. Within the group, the rate of return ranged from a low of 8.72% to a high of 12.51%. For the full year 1960 the rate of return should reach about 10.5%, up from 5.77% in 1950.

Significantly, commercial banking capital, long regarded as a low earner in comparison with nonbank capital, is now one of the highest earners. Money rates may fluctuate in the years immediately ahead, but there is nothing to suggest that lessening in demand for credit will return us to the cheap money days of the Thirties and Forties. Moreover, banks are becoming more efficient in handling the constantly growing volume of modern-day banking. Automation is just scratching the surface, promising new efficiencies in the near future.

Security Profits in Prospect

COMMENTING on the Federal Reserve's current money policy, Leif H. Olsen, vice-president of M. A. Schapiro & Co., said that recent actions will allow banks to increase deposits and total loans and investments.

He added that, without the need to sell securities to meet loan demands, and with bond prices rising, banks will be able to realize security profits this year, in contrast to losses of last year.

"In dealing with the possibility of lower rates and their impact on earning power," Mr. Olsen said, "we must consider that the yields currently realized on loans and investments are still below prevailing market rates. The prime rate on business loans, presently 5%, is the minimum, and other rates are scaled upward from this prime level. A bank with all its loans on the books at current rates would realize a peak yield on its loan portfolio of, say, 5½% and upwards, depending upon the amount of loans it was carrying at above the prime rate. Thus the prime rate would have to be trimmed to less than 4½% before the present yield realized by banks on their loan portfolios would stop rising."



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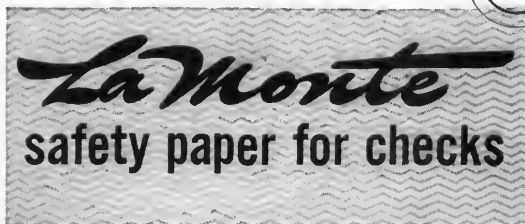
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gave up first-hand manipulation of his broom, Mr. Rosenberg continued to work murderously long and hard hours.

And what was his idea? Like most good ones, it was extremely simple: contract janitorial service. Instead of hiring employees to come in and sweep out, Mr. Rosenberg persuaded businessmen to hire his firm to keep their premises clean.

He started in a small way, naturally. Then, as business warranted, he added more help, more equipment. At first the jobs were personally supervised by Mr. Rosenberg, later by his foreman. Every job got the benefit of a specialist's skill and experience. And a specialist's pride in his work.

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GOVERNMENT BONDS

Long-Term Bonds Are Favored . . . Treasury Bills Show Lower Yield . . . "Rights" Eliminated from August Refunding . . . Heavy Oversubscription . . . Debt Reduction . . . Federal Reserve Buys Bills . . . Banks Increase Investments . . . Outlook

MURRAY OLYPHANT

THE plain truth is that no one has a clear idea what business is going to do the rest of the year. For the moment the threat of inflationary developments is on the sidelines.

Although business volume has been typical of midsummer leveling off, it has remained at reasonably satisfactory levels. For the second quarter the gross national product registered a further gain, but only a slight gain. Disposable personal income continued to rise—without boosting sales of consumer goods as much as might have been expected. There was some evidence of growing caution across the business board, which was quite understandable in view of the divergent economic programs of the Democrats and Republicans and the uncertainty as to the outcome of the elections.

Lower Rates Indicated

All in all, the conditions certainly seemed to warrant the belief that if there was to be any change in the cost of credit, the change would be in the direction of lower rather than

higher interest rates. The action of the market supported this view.

Strength for the Longer Bonds

While it was true that the shorter term issues continued to be in demand, with the result of further lowering the interest returns available from them, the strength in the prices for the longer term bonds was the outstanding feature of the market in July.

Rises in price of from 2 2/32 to 3 10/32 were registered. One explanation was that the Treasury might soon attempt an advance refunding program for the 2 1/2% bond issues, especially the two issues of 1967/62 and 1968/63. To do so would of course have the effect of reducing the very large amount of maturities within the next 10 years, but this advantage would be costly to the Treasury, as a considerably higher rate than 2 1/2% would have to be paid on the new issues to attract exchanges. Nevertheless, some buying of the longer bonds was undoubtedly due to this possibility.

More important, however, there was rather substantial buying of

the longer bonds by several classes of investment funds, notably state and other pension accounts. Moreover, at all times the market was decidedly thin on the sell side, with the natural result of forcing price markups to fill buying orders.

There is, however, no question but that the general attitude of investment buyers has become more optimistic about the future course of the market, for the present at least.

Lower Cost of Treasury Bills

Once again the Treasury was able to sell bills at somewhat lower costs, as can be seen from the table on page 12.

While the cost of the 3-month bills showed only a minor decline, there was a sharp change in the cost of the 6-month issues, which seemed to be in greater demand as the rate on the shorter term issues declined.

The special issue of \$1.5-billion of bills due July 15, 1961, which was originally sold early in July at an average cost of about 3.26%, had risen to about 2.75% by August 1, while the \$3.5-billion of tax anticipation bills, sold at an average of about 2.82%, had only improved to about 2.77%. Even this slight rise was unusual since these bills are ordinarily heavily taken by banks and subsequently sold as their Treasury tax and loan accounts are depleted.

"Rights" Eliminated

On July 25 the Treasury announced that in order to take care of the maturities of \$9.6-billion 4 3/4% notes on August 15 and \$800,000,000 Federal National Mortgage Association 3 5/8% notes on August

(CONTINUED ON PAGE 12)

Outlook

THE Federal Reserve authorities are quite definitely on the side of easier credit at present.

The improvement in the prices for Government securities and the heavy oversubscriptions for both the 3 1/8% certificates and the 3 7/8% bonds show that general investment opinion has become more optimistic.

True, the market has had such a sharp rise that some readjustment would not be surprising. Nevertheless, only a marked improvement in business volume accompanied by a renewed demand for loans would alter the current outlook. As yet there is no evidence of a change in that direction.

At the moment the Government market seems to be headed for higher prices.



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(CONTINUED FROM PAGE 10)

23, there would be offered about \$7.75-billion 3 1/8% certificates due on August 1, 1961, and about \$1-billion 3 7/8% bonds due May 15, 1968, but that holders of the maturing issues would "not be offered preemptive rights to exchange their holdings for the new securities." That this might be done had been stated by the Treasury some months ago.

A Changed Situation

The 3 7/8% bonds offered were in addition to the \$321,000,000 already outstanding, which were issued in June as part of the advance refunding of the 2 1/2% bonds November 15, 1931. At that time demand for the longer bonds was negligible but now the situation had changed.

To get the new issues, subscriptions had to be made subject to allotment. However, allotted subscriptions could be paid for with either of the maturing issues. In the case of the 3 1/8% certificates, because the Federal investment accounts were holders of over \$5.6-billion of the maturing issues, a long list of "savings type investors" were assured of full allotment. In the case of the 3 7/8% bonds, the Treasury reserved the usual right to make preferential allotments to various classes of "savings type investors."

Heavy Oversubscription

As the outstanding 3 7/8% bonds were selling at nearly 101 there was no doubt but that the new issue would be heavily oversubscribed while even in the case of the larger amount of the 3 1/8% certificates a very small allotment for the other than "savings" type investor was anticipated.

This proved to be the case as the offering was oversubscribed nearly 2 3/4 times.

For the total of about \$8.750-bil-

lion of new issues subscriptions of over \$23.5-billion were received as follows:

	Amount Offered	Subscriptions
3 1/8% ctf's.		
August 1, 1961	\$7.75-billion	\$17.377-billion
3 7/8% ctf's.		
May 15, 1968	\$1-billion	\$5.178-billion
	\$8.75-billion	\$23.515-billion

Allotments to the various types of subscribers were as follows:

	Amount Allotted
<i>For the 3 1/8% certificates</i>	
100% to savings type investors and Govt. inv. accts.	\$6.28-billion
13% to all others	\$1.5-billion
	\$7.78-billion
<i>For the 3 7/8% bonds</i>	
25% to saving type investors and Govt. inv. accts.	\$320,000,000
20% to commercial banks for own accts.	\$552,000,000
15% to all others	\$178,000,000
	\$1,050,000,000

While selling on a "when issued" basis the 3 1/8% certificates held steady around 100 5/32. The 3 7/8% bonds, after absorbing some selling, held at about 100 3/4.

So it can be said that this issue of new securities, without giving the right of full exchange to holders of maturing issues, was successful to a large extent in preventing the undue speculation in "rights" which had been so troublesome in the past.

More important, perhaps, the five-times oversubscriptions for the 8-year 3 7/8% bonds showed what a very marked change had occurred in the attitude of the "savings type investor" since these bonds were originally offered early in June. This change does make the possibility of some advance refunding of outstanding 2 1/2% bonds more feasible.

Treasury Bills

Offered on	Amount	3 months Average cost	Amount	6 months Average cost	Yield spread
July 6	\$1-billion	2.567%	\$500,000,000	3.175%	.61%
July 13	\$1-billion	2.307%	\$400,000,000	2.625%	.32%
July 20	\$1-billion	2.404%	\$400,000,000	2.701%	.30%
July 27	\$1-billion	2.131%	\$400,000,000	2.409%	.27%
Average for period		2.35%		2.48%	
Average for previous period		2.40%		2.75%	

Debt Reduction

As a result of this refunding the gross debt was reduced about \$1,400,000,000. The Treasury was about to make this reduction. The balance in the general fund was very large because of the surplus of about \$1,100,000,000 in the budget for 1959/60 and the fact that the Treasury had borrowed more than needed in the last few months.

Some increase in the debt is to be expected in the remainder of 1960, but it is encouraging to note that estimates of the cash needs of the Treasury for the rest of the year are only about \$6-billion as compared with over \$13-billion in the same period last year.

Federal Reserve Buys Bills

From time to time financial comment in the daily press noted that the Open Market Committee was buying Treasury bills. So it was, and especially in the week ending August 3 when \$344,000,000 was added to the portfolio. Of this increase \$282,000,000 consisted of repurchase agreements.

As the decline in the gold stock was not very much more than the decrease in money in circulation, and the float averaged over \$1-billion for the month, it did seem that the Open Market Committee bought more bills than necessary to smooth out the rough spots in the day to day money situation.

However, there was nothing in the actions of the Open Market Committee to discourage those who felt that the credit situation was easing off.

Banks Increase Investments

Not for some time have the reporting member banks been able to substantially increase their investments, but in July they did so. From June 29 to July 27 their holdings of Government securities rose over \$2.1-billion while they added \$147,000,000 to their "other" investments.

The total of loans declined over \$800,000,000, of which amount commercial, industrial, and agricultural loans accounted for about \$700,000,000.

Unless business picks up and the demand for loans increases, it seems probable that the banks will continue to add to their investments, especially as the Open Market Committee appears to want to make funds available.

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THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

H. EUGENE DICKHUTH, a regular writer for *BANKING* for many years and author of our monthly article, "The Investment Markets," has been appointed economics editor of *The Journal of Industry*. Until recently, Mr. DICKHUTH was consultant to the American Economics Foundation and the National Council of American Importers. Before that, he served for 14 years on the editorial staff of *The New York Herald Tribune*.

THE odds have narrowed between yields of stocks and bonds. At the end of last year excellent corporate bonds yielded investors about 4.6%. The yield, at time of writing, had dropped to about 4.34%, while representative stocks returned better than 3%.

Changes are going on in equity and debt investment which few people can explain. There are, of course, many considerations, political and otherwise. But the historical fact remains that risk capital should command a greater return than the relatively sheltered investment in fixed interest-bearing securities. Previously, stock yields have fallen below bond yields, but only briefly so.

Tax Considerations

Naturally, there are tax considerations. In a high tax economy the demand for large and continual capital investment is large, too. If money-borrowing rates stay low and the corresponding yields on bond investments stay low, the collection of income becomes an incidental factor.

The investors' confusion between stocks and bonds, by some stretch of the imagination, can be traced, at least in part, back to the sale of the "magic 5s," a note due in 1964. Then of course, there is the Presidential election and the attendant uncertainties.

All departments of the bond markets have been in relatively good shape. There was a completion of huge underwritings and scores of accounts were marked "all sold," which is unusual for this time of year. Prices of dollar quoted municipal

and state bonds continued their upward trend. There were a few mid-August highs. One bond that attracted bargain hunters was an issue by Chesapeake Bay Bridge and Tunnel District, amounting to \$200,000,000.

The profit stagnation of the majority of America's industrial enterprises, particularly in relation to inflation, is now beginning to be understood. Their stocks are only cheap in relation to their recent market peaks. It will take many of them a long time before they become again favorite investments.

There is another very interesting development in the bank investment market. The ratio of loans to deposits rose from 50.4% on December 31 to more than 60% on June 30 in the central reserve city banks in New York and Chicago.

Why Deposits Have Fallen

Deposits have fallen as bank loans have increased. Why? Naturally, banks liquidated their holdings of Governments as the demand for loans was stepped up. They have also let Governments mature and have taken cash rather than new issues because of the loan demand.

Since the first of the year there has been a continual liquidation of

Government securities by banks which has been estimated at \$5-billion. In the long run, it will help both business and the Treasury because banks are in the business of loaning money.

Banks must now become comfortable with the present monetary position. Substantial increases in commitments must be avoided.

This is a new situation.

Present Trend Puzzling

Bank management investment officers are puzzled by the present trend; declining interest rates in the past have meant a decline in loans, but this is not necessarily so today.

There are many factors superimposed on the economy which were not existent 20 years ago. New elements are appearing and it will take new studies of the use of discount rates, the marketable debt, the bank rate, and other important factors to determine the ever changing investment climate in the United States and abroad. The best example, perhaps, is Fidel Castro of Cuba. There, balance sheet values do not count except in terms of Castro's personal judgment. The same philosophy, to a degree, is applicable to management both private and governmental at home and abroad.

"Of course banks make mistakes — didn't they let you open a checking account?"



IN THE THIRD CENTURY before the Christian era, the Great Wall of China was a symbol of security to millions of Chinese. Built as a defense against enemy invasion, the China Wall still is one of the great wonders of history. Twenty feet high, with its top forming a roadway twelve feet wide, the fortification extended for 1500 miles over mountainous terrain.

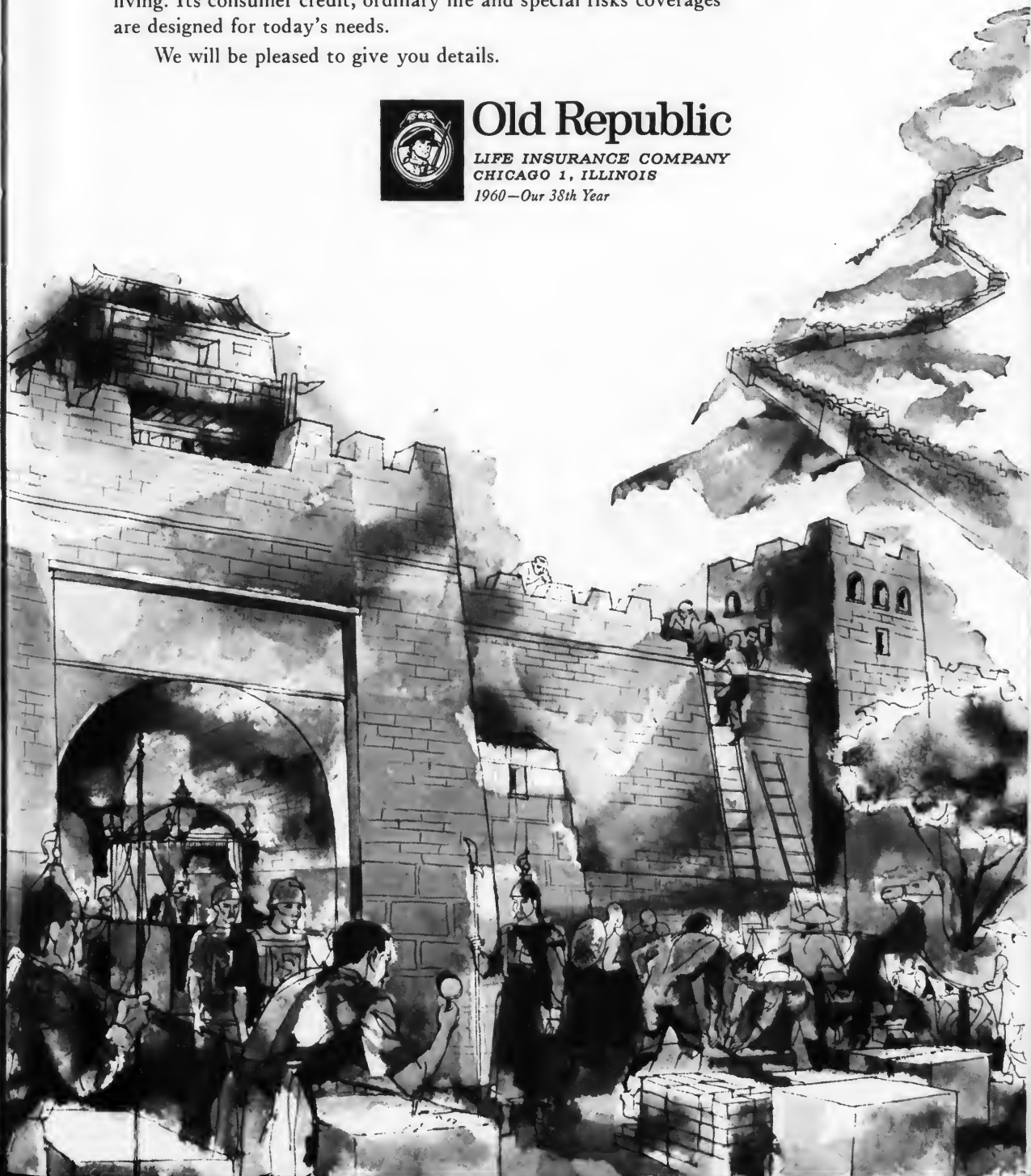
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"Reach-in" deposit drawer in Mosler's New Picture Window makes a hit with Mrs. Walter Minford. Timothy and Bobby are in tow. She can see what she's doing, doesn't have to reach over the top and feel for papers. Drawer extends up to 14".



"You can't park kids"



"You can't park kids," says Mr. L. H. Skeen, President, Inter City National Bank, Bradenton, Florida. **"In spite of the fact that we're located in a suburban shopping center with 1,500 parking spaces, our Mosler Drive-In Window gets a lot of use by all customers but particularly by ladies who have young children to worry about ... children who can't be parked yet are hard to manage on foot. We're using one Mosler Drive-In now, but we anticipated growth by installing three altogether."**

Mr. Skeen pointed out that drive-in windows are even more valuable in downtown areas where parking is a problem.

"Exactly what we wanted"

Mr. E. S. Reasoner, Director of the Bank and Chairman of the Equipment Committee, in describing how Mosler equipment was selected, said: **"Our committee was made up of businessmen, not bankers. We talked with bankers in surrounding cities and counties. We checked thoroughly. The**



Window skirt reaches to curb, makes positioning of car easy for Mrs. Joan Howard. (That's Marie getting a breath of air.) Trucks and sports cars are handled with equal ease by Mosler's New Picture Window.



Intercom system (it's automatic...no buttons) is commented on by customers. Voices are heard clearly by Teller inside and Mrs. Jacquelyn Sinclair and Bobby, outside.



Modern design combined with modern convenience (Mosler equipment contributes to both) attract extra business. Teller easily handles phone and services Mrs. Catherine Jelskis at the same time. In rear seat: Carol and Paul.

opinion we got was unanimous: 'There's nothing better than Mosler.' It didn't take long to find out Mosler is the most respected firm in the business. Mosler had... and gave us... exactly what we wanted."

Other Mosler equipment at Inter City includes a vault door ("People seem impressed that we have the latest and the best"); Night Depository ("We were amazed at how much it is used"); Safe Deposit Lockers ("Our customers comment favorably on them"); Safe Deposit Room

Ventilating Equipment ("This item was a 'sleeper.' Many of our older customers notice it. It seems to give them a sense of security in using our safe deposit room").

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Portfolio Changes



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DURING the last month institutional investors made relatively few portfolio changes. There is still that phobia on "growth," not income, which has made International Business Machines, for example, such an investment success in recent years. The price-earning ratio has trebled.

"Growth" securities have been the friends of investment managers in the sense that they kept up the price level of portfolios. Other securities paid a handsome return. Very few growth securities do. But can the past rate of price appreciation hold out sufficient promise for a continuation? Perhaps and perhaps not. This has been one of the factors baffling investment people, including bank trustees, for some time.

Quirks in the money market have brought about portfolio changes, too. Institutional investors have built up their holdings of Government securities, enabling the Treasury to build up a cash surplus of more than \$8-billion in the first half-year of 1960.

Not counting the August cash refunding, the outstanding marketable Treasury debt has been reduced by \$6-billion. In the meantime, corporations, institutional and individual investors have built up their holdings of Government securities, an action which in part is responsible for weakness in the stock markets.

Holdings of Governments Up

Business firms last year bought \$2.5-billion of Government securities. Individuals added three times as much. The trend has continued this year.

In view of this state of affairs, private investors and professional analysts are looking at individual issues rather than at the market as a whole. The accent is on selectivity. These people are trying to read between the lines of financial reports.

The over-all business picture, or the opinion of what it is going to be, is of course the main consideration if the portfolio is sufficiently diversified. At this point, it looks as

though there will be neither a boom nor a bust. That is one of the reasons why so few portfolio changes have been made.

Atomic War Unlikely?

For some strange reason, despite the explosive situations in Cuba and Africa, very few people in the financial field take very seriously the threat of "Atomic War 1," as it is called by the Defense Department.

In the Congo and Africa, generally, we depend on United Nations forces. In Cuba, in close proximity to Florida, we have to depend on our naval base at Guantanamo and they know what they are doing as I know from personal observation. The confiscation of American property and all such developments are real investment considerations.

All this means, of course, that political uncertainties of that type drive investors into bonds rather than equities, and such portfolio changes are going on right now. An air of caution is discernible and it should not be ignored.

H. E. D.

Puppy love has its heartaches, but it certainly helps to keep a boy's neck and ears washed.

If you just sit still, you never have to go out to meet trouble, because it comes to you.

Procrastination is putting off until tomorrow what you put off yesterday until today.

One of a married man's real advantages is that he doesn't have to waste time making up his mind.

Daylight saving gives you one more hour to put off things until tomorrow that you should have done today.

The biggest stumbling block in life is generally under one's hat.




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About People

DAVID S. COOPER becomes executive vice-president and treasurer, The Midland Bank, Paramus, N. J.

KENNETH J. CLARK becomes vice-president and cashier, National Bank of Commerce, Seattle, Wash.

HARRY G. BALDWIN becomes president, Washington Mutual Savings Bank, Seattle, Wash.; JOHN N. RYDER, DAN J. CONLEY become senior vice-presidents.

HAZEL ROSELL becomes vice-president, Fidelity Bank and Trust Company, Minneapolis, Minn.

RAYMOND J. SPAETH becomes president, Beverly Bank, Chicago, Ill., succeeding ARTHUR A. BAER, who becomes board chairman. MR. SPAETH will leave Illinois Institute of Technology, where he has been vice-president and treasurer, on October 1.

ARTHUR SALTZSTEIN joins Marine National Exchange Bank, Milwaukee, Wis., as vice-president and trust officer.

ROBERTA WILLITS from assistant vice-president to vice-president, National Bank of Des Moines, Iowa.

GORDON L. PATTISON, from director of residential financing to vice-president, Bank of Hawaii, Honolulu.

JOHN W. MILLS, from trust officer, Live Stock National Bank, Chicago, Ill., to trust officer, Citizens Bank of Michigan City, Ind.

Promotions at Citizens National Bank, Los Angeles, Calif.: RICHARD K. WARD becomes vice-president; GORDON SMITH, FLOYD HILL become assistant vice-presidents.

PRENTISS H. PORTER from cashier and branch manager, County Trust Company, LaPlata, Md., to vice-

Fund-raising Bankers Confer



400 campaign leaders from United Funds and Community Chests in the United States and Canada joined in a recent Campaign Leaders Conference at Sugar Camp, Dayton, Ohio, to exchange successful campaign techniques. Bankers were very much in evidence. *Left to right*, in informal discussion, are R. Stuart Rauch, Jr., president, Philadelphia (Pa.) Saving Fund Society, Walter Thayer, president, Stamford (Conn.) Fidelity Bank and Trust Co., and George W. Milnc, president, First National Bank of LaCrosse, Wis., all leaders in their respective cities

president, Citizens National Bank, Laurel, Md. LUTHER G. WELSH, cashier, also becomes vice-president; JAMES L. GILLE becomes assistant vice-president; ANNE BOTELER becomes assistant cashier.

MELVIN M. GIENAPP becomes vice-president, Bank of America, N. T. & S. A., San Francisco, Calif.

FRANCIS T. GALVIN becomes vice-president, Security First National Bank, Los Angeles, Calif.; JOHN M. ROBERSON becomes vice-president.

J. DUDLEY WILKINSON, from executive vice-president to president, The Federal National Bank and Trust Company of Shawnee, Okla.

BEN J. BLEAKLEY, vice-chairman, First National Bank and Trust Company, Racine, Wis., retires. MR. BLEAKLEY had been president of the bank for 14 years.

J. PHILIP SMITH becomes senior vice-president, State Street Bank and Trust Company, Boston, Mass.

BESS B. STINSON, First National Bank of Arizona, Phoenix, becomes assistant vice-president.

F. B. PEAKE becomes board chairman, Suburban Trust and Savings Bank, Oak Park, Ill.; EDWARD F. KENNEDY becomes president, FRANK E. NOVAK becomes executive committee chairman. MR. PEAKE has been president of the bank, and MR. KENNEDY has been executive vice-president.

A. C. STOUSLAND, vice-president, retires from The Bank of New York, N. Y., after 21 years of service.

EVERETT H. PIXLEY becomes senior vice-president, Mellon National Bank and Trust Company, Pittsburgh, Pa.

WILLIAM E. BURFORD, from assistant vice-president to vice-president, First Citizens Bank, Dallas, Tex.; JAMES WEST, from assistant vice-president to cashier.

RAY A. NIEMITZ becomes director of industrial development, First Wisconsin National Bank, Milwaukee, Wis.

OTTO P. MANN, senior vice-president, Fidelity-Philadelphia (Pa.) Trust Company, retires after 40 years of service.

street

Compiled by
Marguerite Beck
of BANKING'S staff

WILLIAM H. BEATTY, JR., EDWARD E. WILLIAMSON, both assistant vice-presidents, become vice-presidents at Chase Manhattan Bank, N. Y.

JOSEPH C. SWAYZE, GEORGE F. VALENTINE, both assistant vice-presidents, become vice-presidents, Bankers Trust Company, N. Y.

DONALD M. RUSSELL, from vice-president, National Bank of Commerce, Seattle, Wash., to vice-president, Seattle branch of Bank of California, N.A.

THOMAS BELLINGER, JOHN M. GROTHEER, GOULD R. KARDASHIAN, all assistant vice-presidents, become vice-presidents at Chase Manhattan Bank, N. Y.

GENE GLAZIER becomes cashier, Irving (Tex.) State Bank; SIDNEY E. SELBY, WILLIAM O. PARSON, both assistant vice-presidents, become vice-presidents.

WALTON B. MOORE becomes cashier, City Bank, Detroit, Mich.

JOHN E. SCHUBERT becomes senior

vice-president, Community Savings Bank of Rochester, N. Y.; he has been first vice-president.

SIDNEY G. BUTLER, from assistant vice-president to vice-president, Morgan Guaranty Trust Company of New York, N. Y.; CHARLES D'URSEL, from the Belgian Ministry of Economic Affairs and the Organization for European Economic Cooperation to Morgan Guaranty's Brussels office as an assistant vice-president; A. BRUCE BRACKENRIDGE, ABRAM CLAUDE, JR., JOHN M. ELDRIDGE, LOUIS V. FARRAR, CLINTON J. GREGORY, DAVID L. HOPKINS, JR., CARL W. KLEMME, CHARLES M. ECKERT, EDWIN R. DEUCHAR, all become assistant vice-presidents.

GEORGE MASCOTT, from director of the State Chamber of Commerce Department of the Chamber of Commerce of the United States, to executive vice-president, Illinois Bankers Association, succeeding A. THOMAS ETCHESON, who assumes active duties as executive vice-president, Lake Shore National Bank of Chicago, Ill.

ROBERT V. WALSH, R. R. ZELICK, become vice-presidents and senior trust officers, Crocker-Anglo National Bank, San Francisco, Calif.

W. HAROLD BRENTON, former president of the Iowa Bankers Association, and 1952 president of the American Bankers Association, joins the board of Bankers Life Company, Des Moines, Iowa. MR. BRENTON, currently a member of the A.B.A. Advisory Committee on Special Activities, is now chairman of 13 Iowa banks.

JOHN W. DAWSON, from Chicago National Bank to LaSalle National Bank, Chicago, Ill., as a vice-president.

WALTER E. GRAHAM, from vice-president, First State Bank of Albany, Ga., to president, Marietta (Ga.) Commercial Bank.

HERMAN E. ERKE, who has been in banking for 16 years, joins the newly organized Lincoln Bank of Van Nuys, Calif., as a vice-president.

RUSSELL R. BERMAN, from assis-



American Banks Get Nigerian Charters

As 18 African nations gain independence this year, American banks bring their financial services to the new nations of that continent. Here, at the right, George Champion, president of New York's Chase Manhattan Bank, and John Watts, the bank's vice-president in



charge of its African and European divisions, accept a license from Honorable Chief Festus S. Okotie-Eboh, Minister of Finance of the Federation of Nigeria, permitting Chase Manhattan banking operations in Nigeria. At the left, S. Clark Beise, president of Bank of America, San Francisco, accepts a commercial banking license from Chief Okotie-Eboh in behalf of his bank. When Nigeria becomes independent of Britain on October 1, it will be the largest independent African nation—population, 35,000,000

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tant secretary to vice-president, Ohio Citizens Trust Company, Toledo.

HERBERT G. WENZEL, from assistant secretary and assistant vice-president to vice-president, New Jersey Bank and Trust Company, Paterson, N. J.; EVERETT B. MUII becomes assistant vice-president.

ROBERT C. BUELL, JR., from vice-president to senior vice-president, Hartford (Conn.) National Bank and Trust Company.

DEAN HOYE, vice-president, Security Bank of Ponca City, Okla., becomes a director of the bank.

WAYNE WARREN becomes a vice-president of East Dallas (Tex.) Bank and Trust Company; he has, for five years, been with First Citizens National Bank, Dallas.

J. VINCENT O'NEILL becomes vice-chairman, Everglades Bank, Fort Lauderdale, Fla.; he continues as president of The Dania Bank.

T. HOWARD DUCKETT, board and executive committee chairman, Suburban Trust Company, Hyattsville, Md., was honored by more than 1,200 friends at a testimonial dinner held on his 80th birthday at the Sheraton Park Hotel.

WILLIAM V. HARVEY, from assistant vice-president to vice-president, Citizens and Southern National Bank of South Carolina, Columbia; W. LEROY HARRELSON, former press secretary to South Carolina's Governor ERNEST F. HOLLINGS, joins the bank as a vice-president; GORDON B. BROWN, from assistant cashier to assistant vice-president.

ROBERT E. GAUGHEN, JR., from assistant vice-president to vice-president, Security First National Bank's San Diego, Calif., division; WESLEY D. HASTINGS, WILLIAM A. HOY, both become assistant cashiers.

LOUIS AUPEIN, vice-president, Security National Bank of Long Island, Amityville, N. Y., known as the "dean" of local banking circles, steps

Bahmeier Joins
California Bankers



CARL E. BAHMEIER, who served as executive secretary-treasurer of the South Dakota Bankers Association from 1948 through mid-1960, on July 15 joined the California Bankers Association as its executive manager. MR. BAHMEIER, currently president of the State Association Section of the American Bankers Association, served as a member of the Section's executive committee in 1952-53, and as vice-president in 1958-59.

MR. BAHMEIER has been board chairman of the Central States School of Banking at the University of Wisconsin, president of the Central States Conference, and associate councilman for the American Institute of Banking.

Born in Minneapolis, MR. BAHMEIER was graduated from Macalester College and the University of Minnesota, and did graduate work in international relations and political psychology. He was a radio news analyst and lecturer in the Twin Cities prior to World War II.

down from his vice-presidential duties and becomes a full-time consultant to the bank at age 73.

WARREN J. CRUMBINE, from assistant vice-president to vice-president, National City Bank of Cleveland, Ohio; PAUL R. KARL becomes assistant vice-president.

WALTER H. JONES, N. J. State Senator, Bergen County, becomes a director, The Hackensack (N. J.) Trust Co.

(CONTINUED ON PAGE 25)



During the A B A Convention VISIT CANADA AT TWO WALL STREET

Continuing a tradition of more than 100 years of cooperation between the Bank of Montreal and American bankers, the B of M representatives pictured below look forward to meeting with you at the A B A.

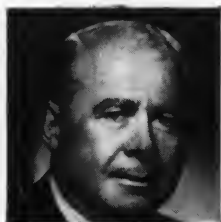
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Asst. General Manager
International Department



WALLACE H. COLLIE
Asst. General Manager
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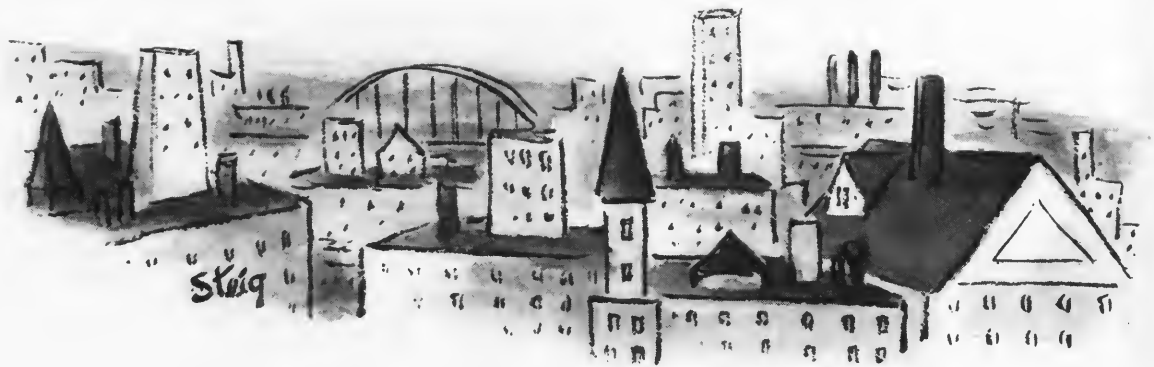
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(CONTINUED FROM PAGE 22)

RICHARD P. BROWN, vice-president and trust officer, becomes senior vice-president and executive trust officer, First National Bank of Denver, Colo.; ELMER W. JOHNSON, trust officer, goes from vice-president to senior vice-president; WILLIAM R. ALEXANDER, trust officer, also becomes vice-president.

WILLIAM WOOTEN MITCHELL becomes executive vice-president, First National Bank of Memphis, Tenn.

Promotions at Harris Trust and Savings Bank, Chicago, Ill.: STANLEY G. HARRIS, from executive committee chairman to board chairman; BURTON A. BRANNEN, DONALD P. WELLES, directors, both go from senior vice-president to executive vice-president; GEORGE S. ALLEN, HAROLD B. BRAY and CHARLES A. CAREY, all go from vice-presidents to senior vice-presidents.

WALTER E. TOON, trust officer, City National Bank and Trust Company of Chicago, Ill., retires after

almost a half century in banking.

E. MICHAEL REITMAN, RICHARD FRANZ, both go from assistant cashier to assistant vice-president, Central Trust Company, Cincinnati, Ohio.

WILLIAM H. TAPLIN, vice-president, Wells Fargo Bank American Trust Company, San Francisco, Calif., retires after 43 years in banking. MR. TAPLIN spent 33 of those years traveling for the American Trust Company.

Officers of newly-organized Bank of Bellwood, Ill., include ROBERT FRANCH, president.

HERBERT J. FADELEY, JR., becomes vice-president at Industrial Trust Company, Philadelphia, Pa.

EDWARD M. STONE becomes assistant vice-president at The Rockland-Atlas National Bank of Boston, Mass.

EDWIN L. KILBY, Commissioner of Public Debt, was presented with an exceptional service award by ROBERT B. ANDERSON, Secretary of the Treasury, upon his retirement after 42 years of Government service.

LEONARD P. CHAMBERLAIN, vice-

Zorn Addresses Dallas "Bank Day" Group

A joint "Bank Day" celebration by the Dallas Advertising League and the Downtown Dallas Kiwanis Club recently brought together leaders of 26 of the 27 commercial banks in Dallas, with aggregate total resources of \$2,587,365,419. They assembled to hear an address by Eugene C. Zorn, vice-president and economist at Republic National Bank, and former A.B.A. deputy manager and director of research. Those at the head table included, left to right, Watrous H. Irons, president, Federal Reserve Bank of Dallas; Weldon Howell, president, Preston State Bank; Don Wright, president, Lakewood State Bank; Maurine Jacobs, president, National Bank of Commerce; James W. Aston, president, Republic National Bank; Dallas' Mayor, R. L. Thornton, chairman, Mercantile National Bank; Robert H. Stewart, III, president, First National Bank; and P. B. (Jack) Garrett, vice-chairman, Texas Bank & Trust Company



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president, Provident Institution for Savings, Boston, Mass., and chairman of the Committee on Savings Management and Operations of the A.B.A. Savings and Mortgage Division, has been appointed to the Government-sponsored National Development Committee for Common Business Oriented Language.

MARION STEVENS EBERLY, director of the women's division of the Institute of Life Insurance, New York, retires after heading the division for 16 years.

G. E. HILL becomes assistant cashier at First National Bank of Orlando, Fla.

THAD W. HERBERT becomes president, Carolina National Bank of Easley, S. C., succeeding the late JULIEN D. WYATT. MR. HERBERT had been executive vice-president.

ARCH S. JEFFERY becomes vice-president, Mellon National Bank and Trust Company, Pittsburgh, Pa.

First National Bank, Akron, Ohio, announces promotions as follows: STANTON H. BRIGHTMAN, JAMES L. HILTON, LEO M. MICHALEC, WILLIAM L. SMITH, JOHN L. OLHOEFT, GEORGE W. SWARTZ, and THEODORE W. LONG all assistant vice-presidents, become

vice-presidents. DONALD F. SHUMAKER becomes assistant vice-president.

Philadelphia Banker Heads HOPE

FREDERIC A. POTTS, president, Philadelphia National Bank, has been named bank and trust committee chairman of Project HOPE. MR. POTTS will head an industrywide drive to raise funds for HOPE, a part of the people-to-people program. Its prime purpose is to bring modern medical knowledge and techniques to the medical and health professions of newly developing countries in Southeast Asia. Its program included the sending of a 15,000-ton hospital ship equipped as a medical training center to Southeast Asia, with a staff of 15 physicians, 25 nurses, and 30 auxiliary medical personnel.

About Banks

BANK OF DOUGLAS, Phoenix, Ariz., opens a downtown Yuma office. This bank is in the process of changing its name to The Arizona Bank.

NATIONAL BANK AND TRUST COMPANY, Charlottesville, Va., opens its new Ivy Road branch.

(CONTINUED ON PAGE 28)

Bank of America Participates in Space Probe Finance



This Pioneer V space probe vehicle recently was displayed in the lobby of the Los Angeles, Calif., main office of Bank of America. Bank of America played a large part in financing the development of Pioneer V by Space Technology Laboratories. Robert L. Gordon, Bank of America vice-president and manager, explains some of this historic "space laboratory" to Barbara Besset. The original Pioneer V is now circling the sun and has traveled more than 29,000,000 miles into space since being launched at Cape Canaveral last March

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General Contractor: Turner Construction Co., New York

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THE FUJI BANK, LTD.
Tokyo, Japan



(CONTINUED FROM PAGE 26)

RIDGEFIELD PARK (N. J.) TRUST COMPANY observes its 50th anniversary.

SECURITY FIRST NATIONAL BANK opens its new Port Hueneme office and its new Brookhurst and Chapman branch, bringing the bank's branch total up to 242 in southern California.

WESTERN PENNSYLVANIA NATIONAL BANK, Pittsburgh, Pa., opens a new building in Finleyville.

FIRST BLOOMINGTON LAKE NATIONAL BANK, Minneapolis, Minn., starts remodeling plans to be completed in February 1961.

FAIRFIELD COUNTY TRUST COMPANY's Wilton, Conn., office opens new and enlarged quarters in the Village Shopping Center.

THE PENNSYLVANIA BANKERS AS-

SOCIATION has established new, permanent quarters in a historic building in Harrisburg, Pa.

CITIZENS FIDELITY BANK AND TRUST COMPANY merges with BANK OF LOUISVILLE, Ky., bringing CITIZENS' offices to a total of 15.

PUGET SOUND NATIONAL BANK OF TACOMA, Wash., starts construction of its tenth office.

GLENVIEW (Ill.) STATE BANK announces the bank's purchase by Cummins-American Corp., Chicago, Ill.

OGELSBY-BARNITZ BANK & TRUST Co., Middletown, Ohio, shortens its name to THE BARNITZ BANK.

FIRST NATIONAL BANK, Sulphur, Okla., holds an open house for its new bank building.

WORCESTER (MASS.) COUNTY NATIONAL BANK opens its new South Fitchburg office.

MANUFACTURERS TRUST COMPANY, New York, opens its 118th office.

(CONTINUED ON PAGE 30)

West Germans Honor Harold Miner

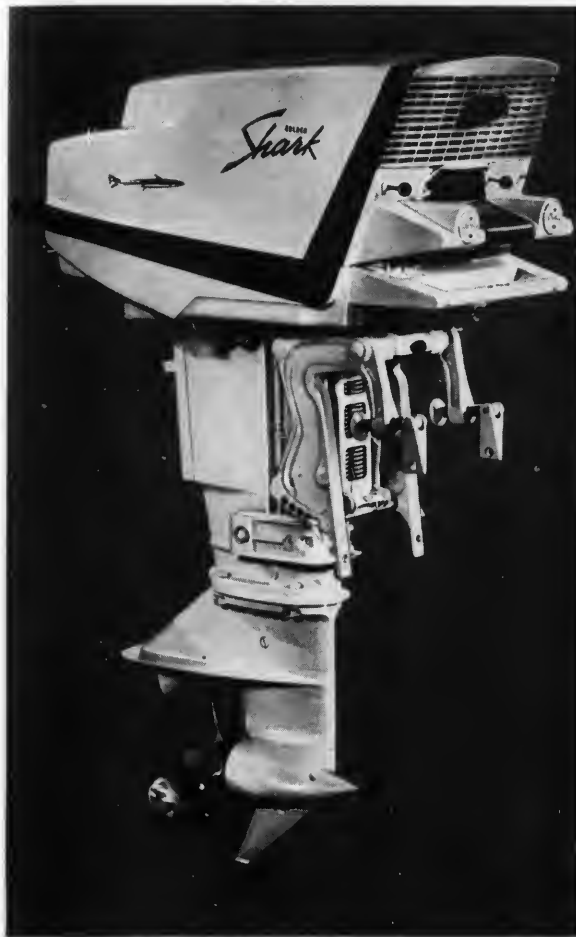
Recent ceremonies at the Palais Schaumburg offices of West German Chancellor Konrad Adenauer in Bonn set the scene for an award presented to Harold S. Miner, vice-president of Manufacturers Trust Company, New York. In behalf of the people of West Germany, Chancellor Adenauer presented the Federal Republic's Grand Cross of the Order of Merit to Mr. Miner in recognition of his services as an executive of CARE, Inc. Mr. Miner has been president of CARE since 1955, and was its treasurer for several years previous. The event symbolized the gratitude of the people of West Germany, and marked the termination of CARE programs in the Federal Republic, whose economic recovery has made further CARE efforts in West Germany unnecessary.

From left to right appear Mr. Miner; Richard Reuter, executive director of CARE, who also received an award; Dr. Adenauer's press secretary; Henry J. Tasca, Minister for Economic Affairs of the U. S. Embassy in Bonn; Chancellor Adenauer; and the Chancellor's interpreter



West Bend Announces An Unusual New Marine Dealer Franchise Plan...

"PROJECT---BELLWEATHER"



Many of your customers will be interested in
"PROJECT---BELLWEATHER."

If you would like further information on it, just drop us a line. We believe this to be a step forward in making this booming business a sound and profitable investment for good businessmen.

Last year more than 39,000,000 Americans went boating for fun, to make boating the No. 1 family participation sport in America. They purchased more boats, more motors and accessories than ever before. Outboard motor sales, for example, soared to a record 540,000 units. The whole industry reported sales of \$2,475,000,000 and experts predict a continued increase.

However, as in any growth or any booming business, marine retailers are facing many problems. Problems such as franchises, products, money, business management and selection of lines. Also, many persons without sufficient capital and experience are getting into the business.

West Bend's new franchise plan "PROJECT---BELLWEATHER" is based on a thorough study of the marine market. This study reveals that to run a profitable marine business, dealers need *protection of area* and *of franchises* if they are to maintain a sound and profitable business in the long run.

West Bend's "PROJECT---BELLWEATHER" provides this protection plus a comprehensive plan for long run business building. Here are some of the features of "PROJECT---BELLWEATHER"

Long term area protection based on boating potential.

A full line of motors ranging from a New Tiger Shark large HP motor soon to be announced, through the proven Golden Shark 40, Silver Shark 25, 18, and 12, 7½ Special to the 2 HP Shrimp.

Full scale factory-service training schools for dealer personnel.

A complete year's warranty program on both parts and labor.

A field merchandising service for new national advertising backing in leading magazines.

A generous co-operative advertising program for building marine dealer strength in their own territories.

West Bend, famous for its aluminumware products, has been manufacturing quality outboard motors since 1945, and has the resources to put such a project into effect. Its home office is in West Bend, Wisconsin.

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BANK OF AMERICA, N.T. & S.A.

(CONTINUED FROM PAGE 28)

WELLS FARGO BANK AMERICAN TRUST COMPANY, San Francisco, Calif., and NORTHERN COUNTIES BANK, Marysville, merge.

CITIZENS AND SOUTHERN NATIONAL BANK, Savannah, Ga., and CITY BANK AND TRUST COMPANY, Macon, plan merger.

CITIZENS NATIONAL BANK, Los Angeles, Calif., opens its first Riverside County office.

CENTRAL VALLEY NATIONAL BANK, Oakland, Calif., opens branch on Medical Center Hill.

(CONTINUED ON PAGE 32)

Malott Buttons Framed

In this 75th year of operation for The Citizens Bank, Abilene, Kans., Deane Malott, president of Cornell University, presented to the bank a framed collection of lapel buttons that had belonged to his father, Michael H. Malott, during his long career in banking and public service. M. H. Malott, who died in 1952, had been associated with the bank since its origin in 1885 when his father, Thomas H. Malott, was one of the founders. M. H. succeeded T. H. Malott as president in 1911, and was continuously president or chairman until the time of his death. *Left to right, top to bottom, the buttons signify that Mr. Malott was president of the A.B.A. State Bank Division, 1927-28; treasurer of the American Bankers Association, 1937-39; executive committee member of the A.B.A. State Bank Division, 1923-26; Executive Council member, A.B.A. 1918-1921; president, Kansas Bankers Association, 1912; and honored as City Treasurer of Abilene, 1899-1949*



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(CONTINUED FROM PAGE 30)

FIRST NATIONAL BANK AND TRUST COMPANY in Steubenville, Ohio, merges with PEOPLES BANK OF TILTONVILLE.

FIRST WESTERN BANK AND TRUST COMPANY, San Francisco, Calif., opens its new Riverside office.

HUDSON COUNTY NATIONAL BANK, Jersey City, N. J., and COMMONWEALTH TRUST COMPANY, Union City, merge.

FARMERS NATIONAL BANK OF PENNSBURG, Pa., and PEOPLES NATIONAL BANK OF NORRISTOWN, merge, become PEOPLES NATIONAL BANK AND TRUST COMPANY OF NORRISTOWN.

ESSEX (Conn.) NATIONAL BANK merges with HARTFORD NATIONAL BANK AND TRUST COMPANY.

Merger announced: PIONEER BANK OF MILWAUKIE, Oreg., with SECURITY BANK OF OREGON, Portland.

SECURITY FIRST NATIONAL BANK, Los Angeles, Calif., opens Westchester branch.

COMMUNITY STATE BANK, Penbrook, Pa., newly organized, breaks ground for new building.

PORTLAND TRUST BANK becomes THE OREGON BANK.

FIRST NATIONAL BANK in Yonkers, N. Y., opens its relocated, new East Yonkers office.

SHIREMANSTOWN (Pa.) STATE BANK merges into THE HARRISBURG NATIONAL BANK.

FIRST NATIONAL BANK OF KINGS MOUNTAIN, N. C., merges into FIRST UNION NATIONAL BANK OF NORTH CAROLINA, Charlotte.

STATE BANK OF WEST TERRE HAUTE, Ind., merges into TERRE HAUTE FIRST NATIONAL BANK.

BROOKVILLE (Kans.) STATE BANK merges into FARMERS NATIONAL BANK OF SALINA.

MECHANICS NATIONAL BANK, Burlington, N. J., opens its new Columbus office.

BANK OF AMERICA, N.T. & S.A., Los Angeles, Calif., opens its first branch on the African continent, located in Lagos, capital of the Federation of Nigeria.

PUBLIC BANK, Detroit, Mich., opens an office at Metropolitan Airport.

NATIONAL BANK OF WESTCHESTER, White Plains, N. Y., merges with RYE (N. Y.) NATIONAL BANK.

LONG ISLAND TRUST COMPANY, Garden City, N. Y., opens branch in Levittown, N. Y.; and an office in Melville, Suffolk County.

CENTRAL HOME TRUST COMPANY, Elizabeth, N. J., opens office in Port Elizabeth.

SECURITY NATIONAL BANK OF LONG ISLAND, Huntington, N. Y., opens its new Shirley Shopping Center branch.

NATIONAL BANK OF HONOLULU, Hawaii, becomes HAWAII NATIONAL BANK.

CITIZENS AND SOUTHERN NATIONAL BANK, Albany, Ga., opens Slappey Drive office.

(END)

Provident Opens Boston's First Subway Branch

The key to the "heart" of Boston, Mass., is turned by Provident Institution for Savings' Virginia E. Pashby, as she opens the door to the bank's new subway branch, the first for that city. Charles A. Coolidge, left, president, Greater Boston Chamber of Commerce, and John S. Howe, president of Provident Institution, look on





Five-foot circular diffusers of PLEXIGLAS at First National Bank of Marlin, Texas. Architect: Robert W. Maurice, AIA, Houston, Texas

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The OUTLOOK and CONDITION OF BUSINESS

*This pre-convention issue of BANKING follows the pattern of an informal balance sheet and report on business in general. It provides a convenient means for measuring any individual bank or business against the current trends**

ALTOGETHER business is fairly good and the outlook promises little change. Steel and, to some extent, automobile people have not been happy with the record this year and seem just a little puzzled by the failure of their hopes to materialize. Actually they are not alone.

The oil industry has been having its own troubles with over-capacity, competition inside the industry and bedevilment by Russia's special kind of managed competition abroad. Consumer durables, like home equipment, also have been slow.

Otherwise much the same set of circumstances which have curbed any boomy spirit for many months still prevail. Mainly these concern our election and the Khrushchev disease, both unpredictable.

So the big questions are related to big politics and to each other.

Fortunately our election has an exact terminal date although the outcome in November may create more questions than it answers.

Unfortunately Khrushchev has no such terminal date, except that one with the old scythe man who makes no distinction between communists or capitalists.

Assuming, if possible, that Khrushchev and all the hairy Khrushchevists and imitators know what they are doing, it could be they are following a policy of exquisitely planned confusion to the point where ordinary people can't draw a line between sanity and stark madness.

Hoorah for Growth!

Everybody and his uncle is for growth. No argument there. The question is how to do it, whether public or

private investment or something in between as we have now, is the way to achieve faster growth. There are people on both sides in both parties and often the same person is on both sides, a miraculous spectacle which defies belief and all known laws.

Until after the election we'll not be sure what we did but if it should turn out that we have chosen to continue along our primrose path to socialism, the dollar will be in for trouble. In one direction is big, Soviet-style centralized government; in the other the freer way of development which has brought us to this point in U. S. history. But the road signs look as though they had been put up by Dennis the Menace.

Conservatives in this country are probably a majority but are hopelessly scattered politically. They are too individualistic to swarm and carry banners and dance in the streets. Politics does not need to court conservatives because their emotional ties are first and firmly with the United States.

Our Own Lochness Monster

One rather mystifying phenomenon of our times is looming through the fog of political oratory, a strange kind of What-Is-It. It could be simply a Hallowe'en ghost from the Thirties but looks more like a well heeled tramp, or a New, New, New Deal offering Fast, Fast, Fast relief for something or other.

The Old New Deal came when the country was on the rocks but today's anachronistic Thing, hungry and ragged, is being hawked to a generation that is better clothed, better fed and sheltered than any human beings ever were in the history of the world.

Business is in a mood of cautious hope or hopeful

caution until some of these questions can be resolved. But a protracted period of waiting could be dangerous. Remember the tragic months when Roosevelt refused to tell the nation what he had in mind.

Obviously he was not sure himself, but fear of the unknown brought business to a dead stop on the very day he became President, thus forcing him to the role of rescuing his own victim, with heroic overtones. Eventually we learned what was in his mind but not until we had experienced the 30s and the war had come to the rescuer's rescue or vice versa.

A Chance to Sell Our Way

Fortunately the machinery is being readied to keep this present national referendum more in the open through televised face-to-face meetings between the candidates. These should provide the best possible op-

portunity to show the world what freedom really means, and let's pray we don't fumble it.

A popular newsletter recently pontificated that business would not be much of an issue in this election. It is true that business is on the side-lines but, with a sound dollar as a central issue, the show vitally concerns every business, large and small.

A Look at Some Signs

GNP's popularity as an indicator is widespread because it lumps everything together in one easy bite. In recent years this way of measuring growth has had the miraculous quality of getting bigger no matter what happened to business. The reason for the "growth" is that it includes so many items that are related to business only indirectly.

(CONTINUED ON PAGE 170)

Handy Checklist for Dollar Sign Watchers

FOLLOWING are some things which should be watched closely during the Sixties for their effects on the economy, the dollar, and banking.

BUDGETS. Will the successive annual budgets provide for balance, surpluses or deficits? Surpluses will reduce the volume of debt instruments which play a large role in bank portfolios. Deficits will have the opposite effect. Budgetary policy affects confidence in the dollar, inflation.

ECONOMIC POLICIES. Each year the White House submits its Economic Report containing recommendations. The President proposes, but the Congress disposes.

CONGRESS. New legislation can affect banking in a great many ways. An important group in the Congress wants to force interest rates lower. If money is made easier, will credit controls be revived, e.g., Regulation W? Will mutual savings banks be federally chartered? Will taxation of mutuals and savings and loan associations and commercial banks be equalized?

THE ECONOMY. Watch the growth of the working force and of productivity. Industrial production is reported monthly by the Federal Reserve Board. National income and GNP are estimated quarterly by the Commerce Department. Capital spending by business is estimated quarterly by Commerce-SEC. McGraw-Hill's economics department twice yearly issues its own survey of business plant and equipment spending plans.

The Commerce Department's monthly data on personal income are one of the best general indicators of business activity. The Department each month reports on manufacturing, wholesale and retail inventories; also on new and unfilled orders.

The Joint Economic Committee publishes monthly *Economic Indicators*, prepared by the Council of Economic Advisers. This is a handy compendium.

FEDERAL RESERVE. The Fed controls growth of

the money supply. Apart from new capital and new savings deposits, bank assets can grow only as the money supply grows. The Fed influences the money supply through open-market operations, changes in member-bank reserve requirements, and changes in the discount rate. Watch member-bank reserve positions, as reported weekly: required reserves, excess reserves, borrowings at FR banks, and free reserves.

Some Democrats in the Congress have been demanding that the Fed, when it wishes to expand the money supply, do so only through open-market operations and not by lowering member-bank reserve requirements. Fed policy in this matter will have a direct bearing on banking profits.

TREASURY. How the Treasury manages the debt affects banks. Watch the 4¼% bond-interest ceiling and whether it will again affect Treasury financing and debt-lengthening. Banks play an essential role in underwriting new Treasury securities. Treasury extension of tax-and-loan privilege will continue to affect banks. Keep an eye on the U. S. Savings Bond program. Follow the big Government trust accounts; as they grow, debt management tends to be facilitated. They grew strongly postwar, until 1957. If they decline, debt management tends to become more difficult.

BALANCE OF PAYMENTS. Our international politico-economic policies affect world confidence in the dollar, reflected in movements of gold and foreign-owned short-term balances. These in turn the Fed must consider in formulating its over-all policies. International flows tend to be affected also by differences in short-term interest rates. A persistent adverse payments balance stimulates talk of devaluation of the dollar, which would be widely regarded as an inflationary step. Among other proposals have been the lowering or elimination of statutory reserve requirements for Federal Reserve notes and deposits.

VELOCITY. Deposit turnover is counted as part of money supply by the Fed. Data are published monthly in the *Federal Reserve Bulletin*. Turnover increased markedly in the Fifties.

Digest of the Business Outlook

Money Supply and Demand

LOANS. Large decline in bank loans in July, especially business loans, after moderate June tax borrowing. Over half the decline was in metalworking . . . from midyear peak . . . as inventories declined. July-August seasonal repayments by commodity dealers; oil company repayments more than seasonal.

With any softening of money rates, utilities will float securities and pay off bank loans. Normally utilities borrow in second half. Oil & chemical borrowing edges up, too. Real estate loans are still declining; "other loans" turned down in July.

RATES. Early August, interest rates declined to late '58 levels, reflecting fundamental changes since '59 in over-all credit outlook. . . . Easier money emphasized. Treasury's August financing very successful. Where prime rate holds at 5%, borrowers have incentive to seek cheaper funds elsewhere. . . . In July city banks showed first big turnaround, increasing holdings of "other than Treasury securities," after over a year's liquidation. July liquidation of US securities was on diminished scale.

SAVINGS. Jan.-June decline in active money supply was marked by increase in public's savings, but only 3/4 as much as first half of '59. Time and savings deposits and s&l shares rose; but Savings Bonds and short-term US securities holdings slipped. Mutual savings banks gained less than s&l's.

FEDERAL BUDGET. Congress chipping away Ike's fiscal '61 \$4.2B budget surplus. Overriding veto of Gov't pay raise took \$750M; denial of postal rate increase knocked out \$550M. Housing, schools, medical aid for aged are present threats. And slackened business could easily cost \$1-\$2B tax revenue shrinkage. President would veto big spending bills unmatched by new revenues; but wields veto "reasonably." So \$4.2B surplus will melt further.

INFLATION. Good prospect for stable prices. Wholesale prices steady for more than two yrs., over-all. "Can't get

Manufacturers' Inventories and Unfilled Orders:

Changes from Dec. 31, 1959, to May 31, 1960

(in millions not adjusted)

Industry	Inventories	Unfilled orders
Iron and steel.....	+ 90	-2,320
Other primary metals.....	+ 140	- 170
Fabricated metals.....	+ 500	- 150
Electrical machinery.....	+ 400	- 110
Nonelectrical machinery.....	+ 470	+ 250
Transportation equipment.....	+ 110	-1,090
Other durable goods.....	+ 310	+ 60
Durable goods, total.....	+2,020	-3,530
Nondurable goods, total.....	+ 80	- 220
All manufacturing.....	+2,100	-3,750

SOURCE: First National City Bank's *Monthly Letter*.

Manufacturers' New Orders for Durable Goods*

Monthly Average	Total	Iron & Steel	Total Without Iron & Steel
1959 I Qtr.	\$14,714	\$2,053	\$12,661
II Qtr.	15,723	1,710	14,014
III Qtr.	14,738	1,060	13,678
IV Qtr.	14,530	1,399	13,131
1960 I Qtr.	14,543	1,210	13,333
April-May	14,550	1,005	13,545

*Seasonally adjusted in millions of dollars.
SOURCE: The Cleveland Trust Company's *Business Bulletin*.

inflation when you are running below capacity," says labor economist . . . consumer prices inching up in past mos. Mostly foods. Should level off now, with ample crops. . . . Strong competition holds prices down. (Cf. autos and home equipment, below.)

General Indicators

GNP. All broad segments participated in second quarter business advance, Commerce Dept. reports. Activity reached new high. GNP rate about \$505B compared with first quarter's \$501B. Third quarter slowdown is likely; but better fourth quarter, most think. Others believe we may be heading into short, minor recession. They point to price concessions in autos, appliances; foresee lower prices.

PERSONAL INCOME. June annual rate was \$406B (seasonally adj.), up \$1.2B from May. Steadily rising past semester, but at diminishing pace. Even in a recession, personal income tends to be stable.

NATIONAL INCOME. This net measure of total output rose in first half. . . . Economists are watching inventory accumulation. High rate of \$11 1/2B in first quarter was lowered in second quarter. Based on past experience, third quarter should not see inventories reduced.

INDUSTRIAL PRODUCTION. Slight decline in June. No particular trend in '60. High index, seas. adj., was 111 in Jan. (1957 = 100); low, 109 in June. Industrial production is lower than it could be.

Spending

GOVERNMENT. Second quarter showed rise in Government spending, mostly state and local, which has steadily grown. Congressional tendencies and President's Latin American plans portend greater spending ahead, especially if Democrats win in Nov. But Democrats cannot get big programs going this fiscal year.

BUSINESS. Next new Commerce-SEC estimates on plant-equipment spending due in Sept. A small increase in second half is anticipated.

CONSUMER. Bulwark of today's economy; holding up well, except for the "intent to spend" polls which report a lessening of intentions. Instalment debt is up, mostly for cars; but savings are up, too, about 4% from '59. Good as

retail trade is, it's not good enough. We are used to forced draft. Offsetting gain in service activities. Trade, finance, and state and local government jobs continue rising. Weakness have been steel, appliances, farm machinery, and—declining since '57—aircraft.

U. S. economists regard unemployment data as "so-so." June '60 jobless 4.4 million v. about 4 million June '59, when we were emerging from recession. Labor force has grown since; but unemployment rate was up June to June from 5.1% to 5.5%.

EMPLOYMENT. Summer data show little change; some decline in metals manufacturing jobs.

General Categories

CONSTRUCTION. Housing not going anywhere. Monthly starts in first half were at high in Feb. (1,387,000 annual rate), low in Mar. (1,112,000). June 1,334,000. Other construction has been pretty stable; on marked trend. For all 1960 outlook is for \$55.8B put in place, only half a percent below 1959.

AGRICULTURE. July crop report indicates about same output as '59. Wheat, 1,347 million bu.; up some 200 million in year. Corn estimated at 4.1 million bu.; was 4.4 in '59. Cotton acreage is up slightly. Exports have been at record high. Farm income in first quarter ran slightly below last year.

CHEMICALS. Prospects favor slight improvement over '59; no drop. It's a good year. Maybe 10% improvement. Inventories are still at low ratio to sales.

ELECTRONICS. In first half most segments of these industries held up; probably gained slightly. Expect continued moderate growth through '60. A better year than '59; but not as much better as was forecast last yearend.

TEXTILES. Some hesitation noted since first half. Don't know why. First quarter was quite good. Last winter's enthusiasm didn't last. In artificial fibers, rayon and acetates having hard sledding. Dacron doing fairly well.

ELECTRICAL. Power equipment looks very good, despite summer doldrums. Orders been satisfactory; heavy generators, turbines. Public utilities keep growing at a nice pace. Spread of air conditioning a big factor.

TRANSPORTATION. Airline traffic not bad; will be about 10% above '59. But not profits. Introduction of jets is costly this year. Wage costs also rising. Five percent airline fare hike July 1 not enough to compensate for these

Motor Vehicle Production

	Passenger	Trucks & buses
1959	5,591,243	1,137,401
1958	4,257,812	877,294
1957	6,113,344	1,107,176
1956	5,816,109	1,104,481
1955	7,920,186	1,249,090
1954	5,558,897	1,042,174
1953	6,116,948	1,206,266
1952	4,320,794	1,218,165
1951	5,338,435	1,426,828
1950	6,665,863	1,337,193

SOURCE: Automobile Manufacturers Association.

extra costs. Jet installations will cost less in '61. . . . Very disappointing year for railroads. Carloadings near '58 level, in July were 15% below July '57.

AUTOMOBILES. Still looks like good year for new cars. Commerce Dept. expects 6,700,000 for '60. In first half 3,794,000 passenger cars were made. Used car stocks are high; prices low; they must compete with compacts. Imports slipping off. After Labor Day autos will be in full swing.

HOME EQUIPMENT. Appliance manufacturers—refrigerators, ranges, washers, dryers—unable to work down inventories, been extending vacations, laying off workers. Overproduction. But still optimistic for fall; and if these hopes are realized, '60 should almost equal '59.

METALS. Steel's been undergoing an inventory adjustment. The '60 boom didn't materialize. "Faint traces of steel upturn" seen by *Iron Age* in early August. Pressing customers, mills are seen "borrowing from future business." June steel exports up, imports down; if this holds through '60, Commerce Dept. sees favorable balance of our steel trade restored, as against unfavorable balance in strike-year '59. . . . Steel capacity now growing steadily, dictated not by demand but by competition. Increased efficiency has expanded theoretical capacity of existing plant.

Aluminum shipments declined in second quarter, about 6%. No sign of a substantial pickup yet. Alcoa has increased prices of mill products.

PAPER. One of the few industries whose first-half earnings rose is pulp and paper. It has had about the best business ever. Total output is slightly above '59. . . . The industry's sales reflect state of wholesale and retail trade generally. . . . Commerce Dept. has projected our pulp requirements to end of century.

FUEL. Although down in the steel area, total coal business holding up very well. Utilities' demand is good. Export market continues to surprise producers favorably, although behind '59 rate. Over-all, the industry is optimistic, despite lagging steel. Expects to produce 10-15 million tons more than 1959's 410 million.

FOOD. Coffee surpluses being offset by American merchandising. Some half dozen soft-drink bottlers, including important Canada Dry, are making carbonated coffee drinks—something new. Also, many new coffee confections were shown at National Candy Wholesalers meeting.

RUBBER. Consumption, largely geared to autos, rose 4.2% in first half, but may lose some or all of gain in second half. Tires for new compact cars and replacements for foreign cars use less rubber.

The Rails' Income

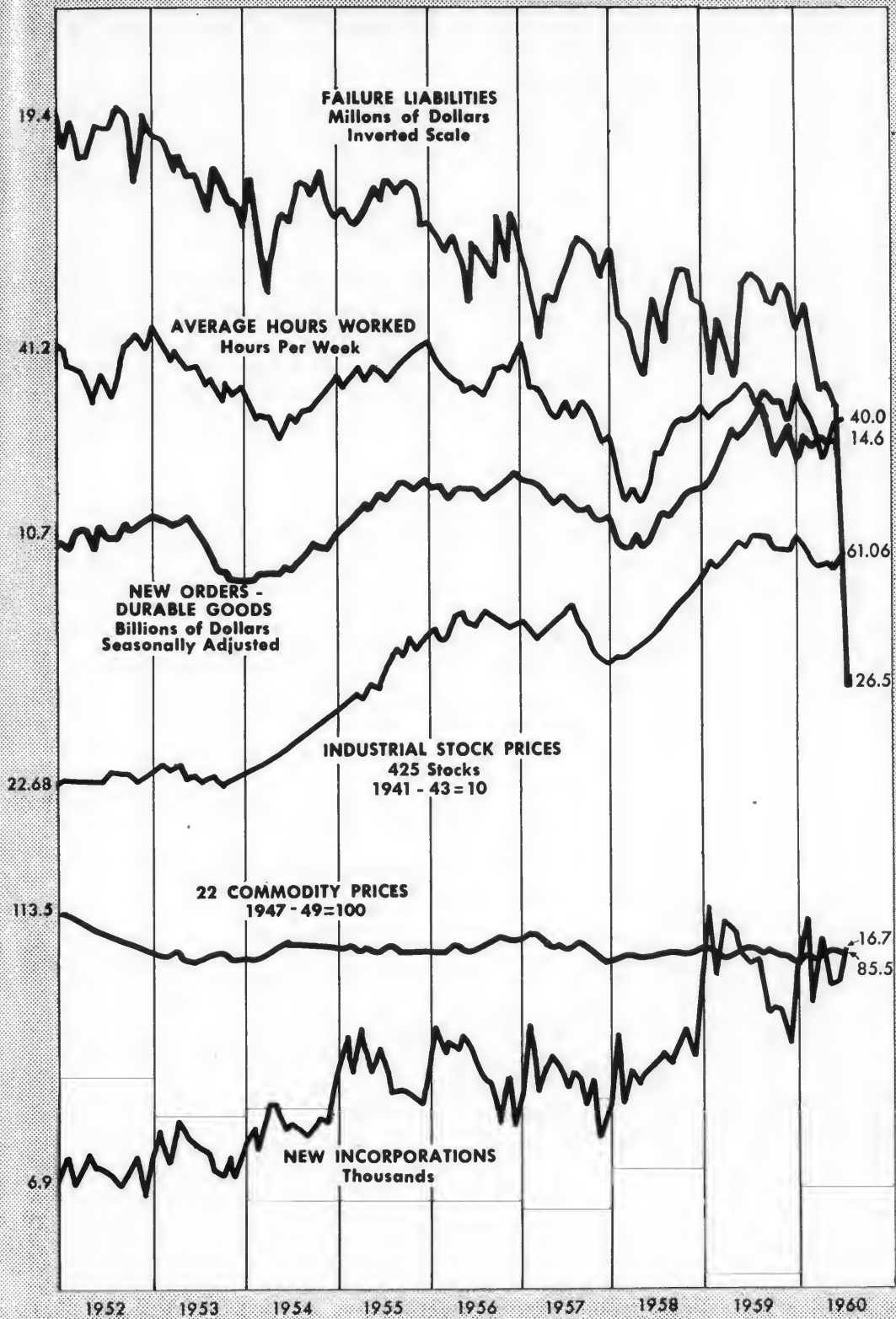
(in millions)

	Net income	Passenger revenues	Passenger deficit	Freight revenues
1959	\$578	\$651	\$500*	\$8,313
1958	602	675	610	8,071
1957	737	735	724	8,929
1956	876	757	697	8,951
1955	927	743	637	8,538
1954	682	767	670	7,798
1953	903	842	705	8,951
1952	825	906	642	8,789
1951	693	900	681	8,634
1950	784	813	509	7,817

*Estimated.

SOURCE: Yearbook of Railroad Information.

LEADING INDICATORS

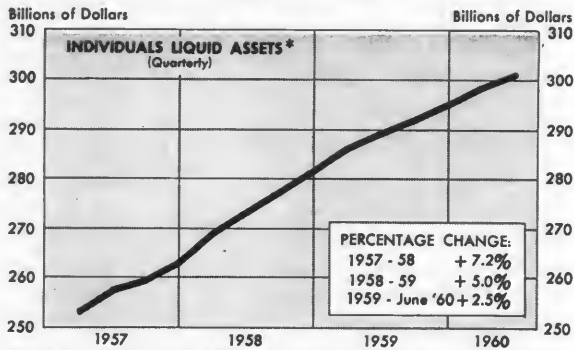
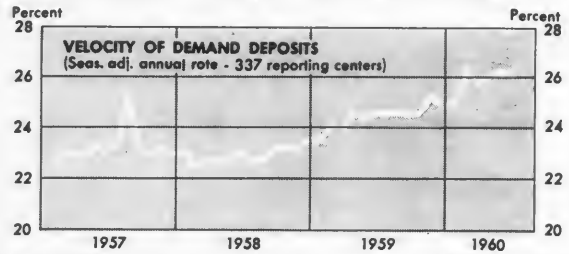
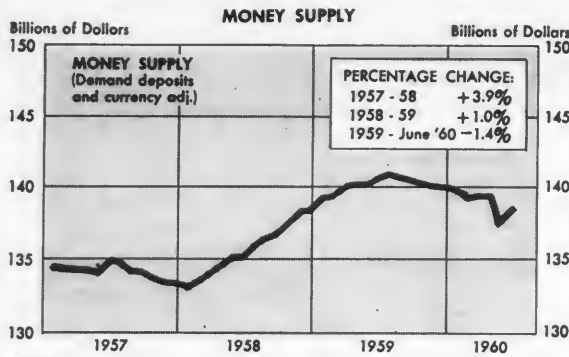


SOURCES (TOP TO BOTTOM): (1) DUN & BRADSTREET, (2) DEPARTMENT OF LABOR, (3) DEPARTMENT OF COMMERCE, (4) STANDARD & POOR'S, (5) DEPARTMENT OF LABOR, (6) DUN & BRADSTREET. ADAPTED BY THE A.E.A. RESEARCH DEPARTMENT.

The Condition of Money and Credit

Important Role of "Near-Money"

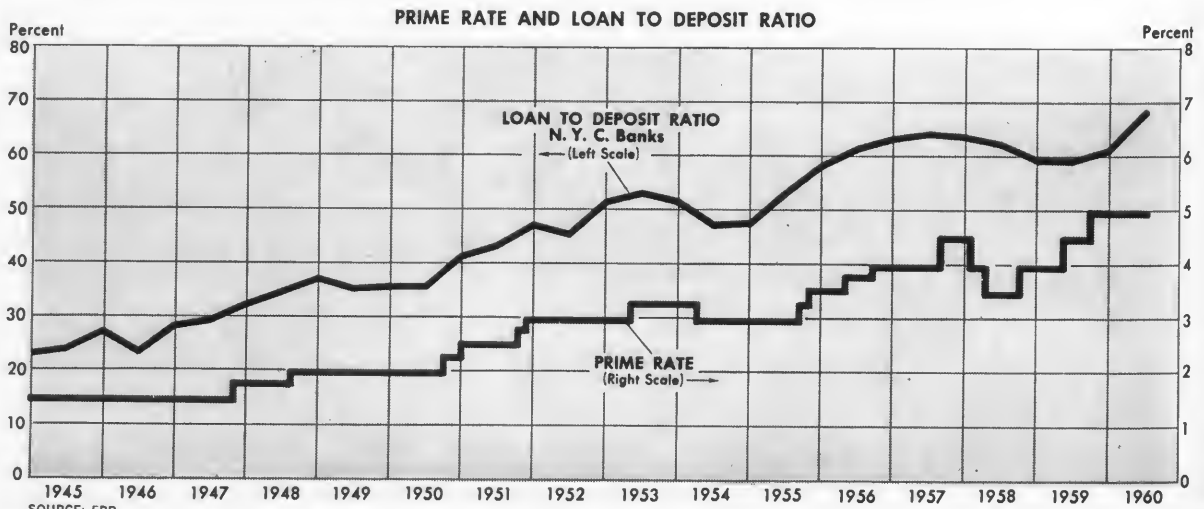
"Near-money" is a term applied lately by the Federal Reserve Board to such readily cashable assets as time deposits and short-term securities. (Sometimes the term includes even long-term bonds and life insurance.) The Board feels that these near-money assets should be included in the nation's effective money supply, which has been traditionally limited to demand deposits and currency.

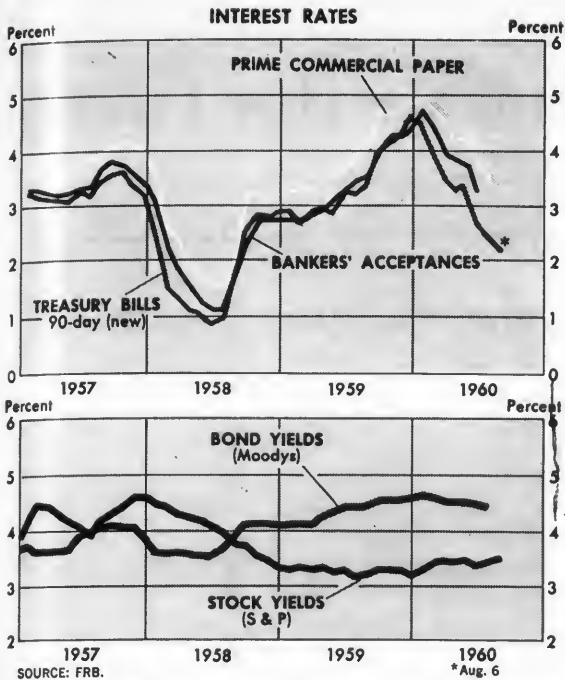


*Savings accounts at Mutual Savings Banks, Com'l Banks, Postal savings, Share accounts at SLA's, Credit Unions, Holdings of Life Ins. Res. and Savings Bonds, June, estimated.
SOURCE: FRB, FHLB.

THE NATION'S SUPPLY OF MONEY, in the traditional sense of demand deposits and currency, rose \$600,000,000 in June, in contrast to the sharp decline of \$1.8-billion in the previous month. The mid-year total, nevertheless, was still \$2.7-billion below the level of mid-1959. This decline has been offset in part by an increase in the turnover of demand deposits. Also, investments in liquid assets having the attributes of money—holdings by individuals of savings, savings-type accounts, and Treasury bills—have increased substantially

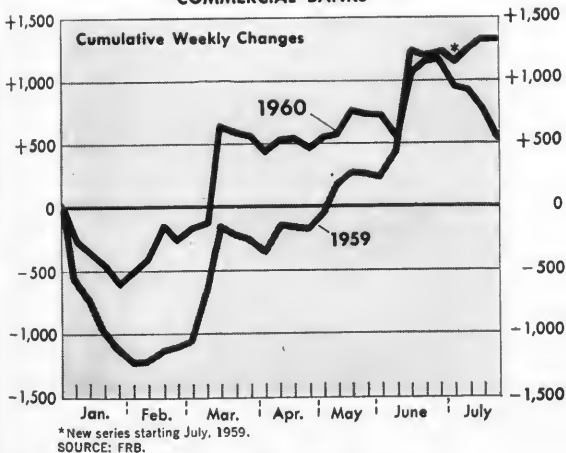
With the recent reserve requirement adjustments and the two discount rate reductions—the first in June and the latest on August 11—there was expectation that the PRIME LOAN RATE would be lowered, as it was (to 4½%) in many banks across the country beginning August 22. Historically, changes in the prime rate have corresponded closely with movements in the loan-deposit ratio of New York City banks. (The chart below does not reflect the change, made as BANKING went to press)





SHORT-TERM MONEY RATES have declined sharply since the beginning of the year, due in large measure to an increased demand from nonbank sources on a lower volume of Federal financing. The average discount rate on new Treasury bills sold on August 1 was 2.131%, the lowest since August 21, 1958. During the past seven months, yields on prime corporate bonds have been falling, while common stock yields have been rising. Should this continue, by year's end these yields will meet as they last did in August 1958

BUSINESS LOANS AT LEADING COMMERCIAL BANKS



For the first five months of 1960, **BUSINESS LOANS BY WEEKLY REPORTING MEMBER BANKS** showed a net increase of \$757,000,000, compared with a net increase for the same period last year of \$208,000,000. Loans continued to rise during June, but at a slower rate than a year ago. During July, business loans declined \$664,000,000, whereas a year ago they rose by \$103,000,000

Deposit Turnover

IN examining the trend of the money supply over the past decade it is important not to overlook the turnover of deposits. These give an added dimension to the picture. Throughout the past 10 years there has been a persistent increase in the turnover of demand deposits. This has been most conspicuous in the case of New York City.

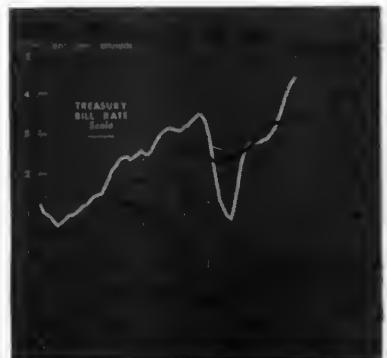
Deposit turnover tends to be stimulated by rising interest rates. Under the conditions of recent years it has become more and more attractive to holders of idle, noninterest-bearing demand deposits to put them to work elsewhere. The interest rate fluctuates, of course; but once depositors have learned to put idle demand deposits to work, many of them do not easily revert to the habit of keeping idle funds in their bank accounts when interest rates perhaps temporarily decline.

This is clearly portrayed in the accompanying chart, "Money, Turnover, and Bill Rate," reproduced from the *Federal Reserve Bulletin* of February 1960, p. 123. A sharp decline in short-term interest rates, as represented by the Treasury bill rate, occurred during 1957-1958, yet the deposit turnover rate was only slightly responsive to the change. Once the bill rate turned higher, deposit turnover resumed its increase.

Since the end of World War II, when the turnover rate was unusually low because of the wartime creation of money and limitations on its use, the rate has almost doubled. Thus, while the money supply in absolute figures has not expanded to the same degree as GNP and national income—for which the money is used—deposit turnover has played a major role in keeping the economy growing.

How fast the money supply will grow and how fast it will turn over during the 1960s will depend largely on the Fed's policies as shaped by events and the need as the System sees it.

From the
Federal Reserve Bulletin
for February 1960



NOTE.—Three-month moving averages based on the following: Treasury bill rate, averages of daily market yields on three-month bills. Deposit turnover, seasonally adjusted annual rates of turnover of demand deposits except interbank and U. S. Government deposits at 337 reporting centers outside New York and six other financial centers. Money supply, seasonally adjusted data for demand deposits adjusted and currency outside banks for last Wednesday of month, partly estimated. Demand deposits are for all banks in the United States and exclude U. S. Government and interbank deposits and cash items in process of collection. Currency excludes bank vault cash. Latest month shows, December.

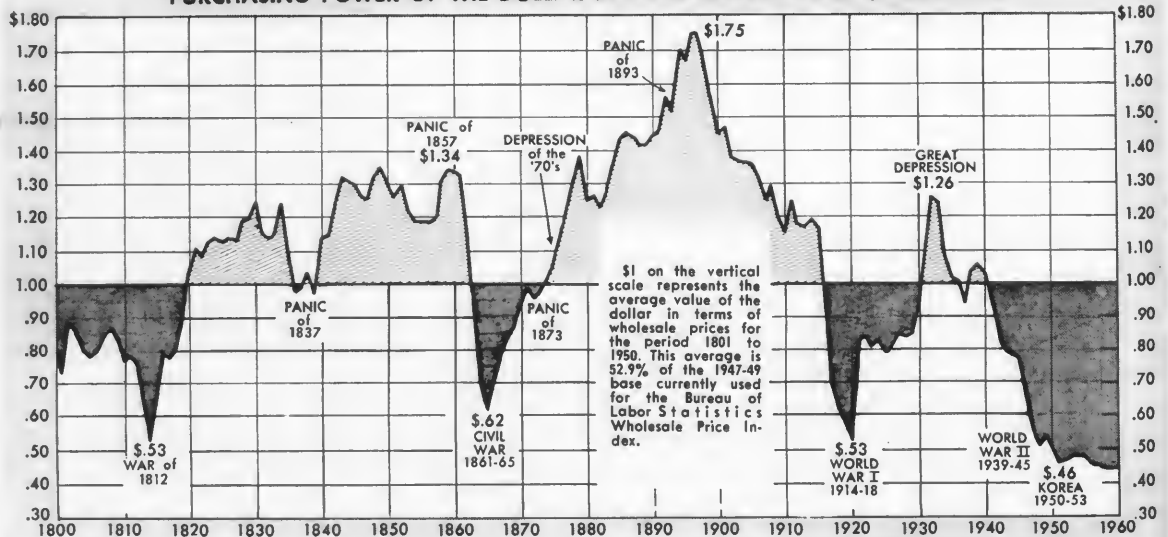
The Changing Value of the Dollar

Prepared by the Research Council, American Bankers Association, from Bureau of Labor Statistics Indexes

PURCHASING POWER OF THE DOLLAR IN WHOLESALE MARKETS, 1800 TO 1960

1800	.80	1840	1.14	1880	1.25	1920	.83
1801	.73	1841	1.15	1881	1.26	1921	.83
1802	.89	1842	1.24	1882	1.23	1922	.84
1803	.87	1843	1.32	1883	1.28	1923	.81
1804	.80	1844	1.31	1884	1.35	1924	.83
1805	.78	1845	1.30	1885	1.44	1925	.79
1806	.80	1846	1.28	1886	1.45	1926	.81
1807	.85	1847	1.25	1887	1.44	1927	.85
1808	.87	1848	1.32	1888	1.42	1928	.84
1809	.83	1849	1.35	1889	1.42	1929	.85
1810	.78	1850	1.31	1890	1.45	1930	.94
1811	.78	1851	1.26	1891	1.48	1931	1.12
1812	.77	1852	1.30	1892	1.58	1932	1.26
1813	.68	1853	1.22	1893	1.52	1933	1.24
1814	.53	1854	1.18	1894	1.70	1934	1.09
1815	.67	1855	1.18	1895	1.87	1935	1.02
1816	.79	1856	1.18	1896	1.75	1936	1.01
1817	.78	1857	1.19	1897	1.75	1937	.84
1818	.80	1858	1.31	1898	1.68	1938	1.04
1819	.91	1859	1.34	1899	1.58	1939	1.06
1820	1.06	1860	1.34	1900	1.45	1940	1.04
1821	1.11	1861	1.33	1901	1.47	1941	.93
1822	1.08	1862	1.14	1902	1.38	1942	.82
1823	1.13	1863	.90	1903	1.37	1943	.78
1824	1.14	1864	.70	1904	1.38	1944	.78
1825	1.13	1865	.82	1905	1.35	1945	.77
1826	1.14	1866	.70	1906	1.32	1946	.67
1827	1.13	1867	.78	1907	1.25	1947	.55
1828	1.19	1868	.83	1908	1.29	1948	.51
1829	1.20	1869	.87	1909	1.20	1949	.53
1830	1.24	1870	.94	1910	1.15	1950	.51
1831	1.15	1871	.98	1911	1.25	1951	.45
1832	1.14	1872	.96	1912	1.18	1952	.47
1833	1.15	1873	.97	1913	1.17	1953	.48
1834	1.24	1874	1.01	1914	1.19	1954	.48
1835	1.09	1875	1.05	1915	1.17	1955	.48
1836	.97	1876	1.13	1916	.95	1956	.45
1837	.96	1877	1.20	1917	.89	1957	.44
1838	1.03	1878	1.32	1918	.82	1958	.44
1839	.97	1879	1.38	1919	.59	1959	.44
						1960 (first half)	.44

PURCHASING POWER OF THE DOLLAR IN WHOLESALE MARKETS, 1800 - 1960

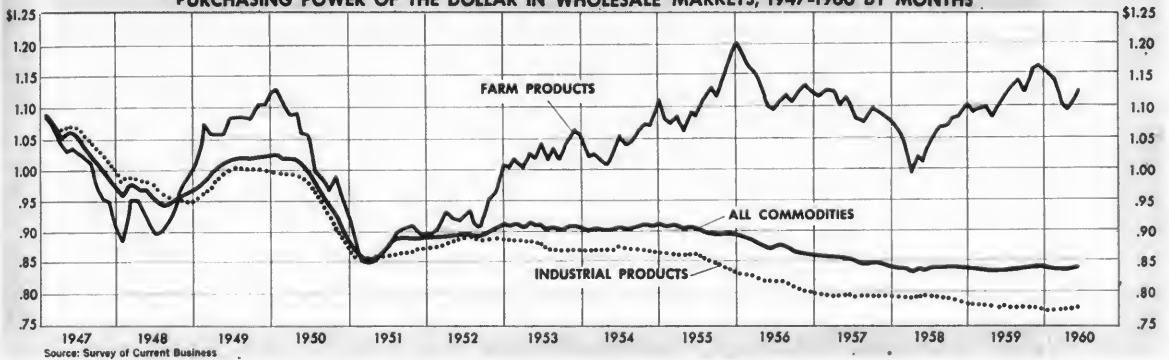


MAJOR MOVEMENTS IN THE PURCHASING POWER OF THE DOLLAR

(Changes of 20 cents or more)

Declines	Years Duration	Range of Decline	Amount of Decline	Average Decline Per Year
↓ 1802-1814	12	\$.89-.53	\$.36	\$.03
↓ 1834-1836	2	1.24-.97	.27	.13½
↓ 1860-1865	5	1.34-.62	.72	.14¾
↓ 1897-1920	23	1.75-.53	1.22	.05% ₁₀
↓ 1932-1959	27	1.26-.44	.82	.03% ₅₀
Rises	Years Duration	Range of Rise	Amount of Rise	Average Rise Per Year
↑ 1814-1830	16	\$.53-1.24	\$.71	\$.04¾
↑ 1839-1843	4	.97-1.32	.35	.08¾
↑ 1865-1896	31	.62-1.75	1.13	.03¾
↑ 1920-1932	12	.53-1.26	.73	.06% ₁₀

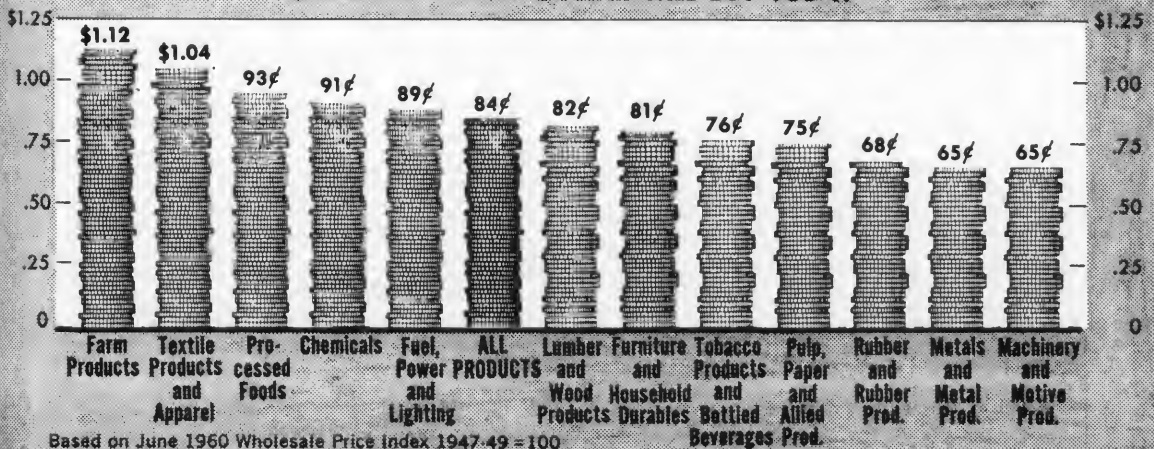
PURCHASING POWER OF THE DOLLAR IN WHOLESALE MARKETS, 1947-1960 BY MONTHS



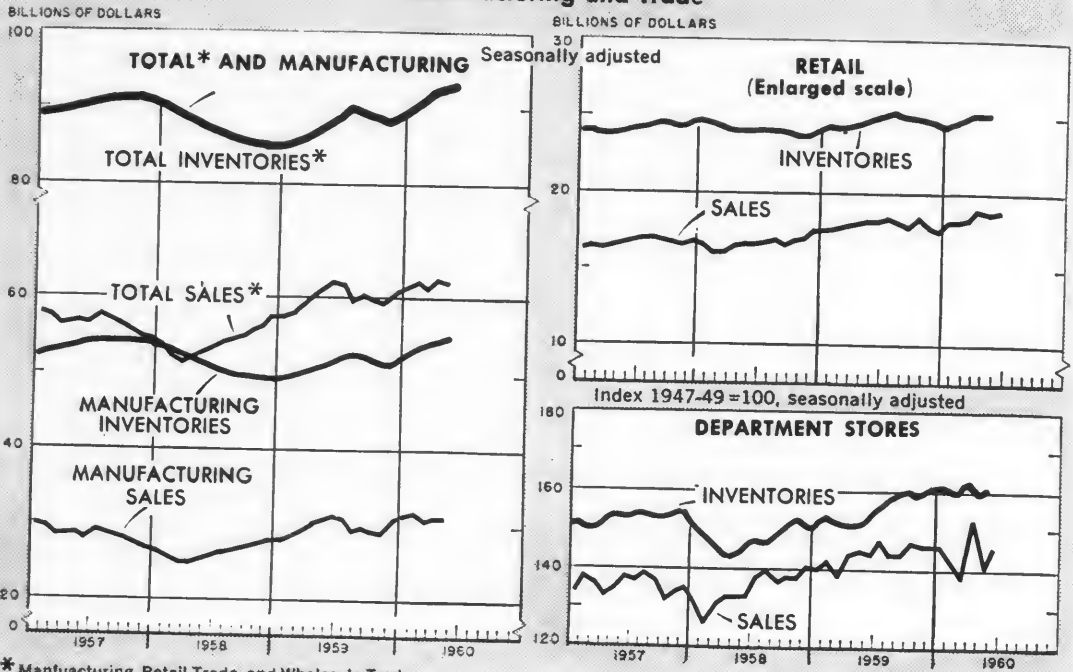
Variations in the purchasing power of the dollar for all wholesale commodities reflect changes in the prices of goods making up the wholesale price index in direct proportion to their relative value. For example, commodities other than farm products and processed food (largely industrial products) account for approximately 70% of the total value of all commodities covered by the wholesale price index. Thus, for example, large declines in farm prices would be necessary to offset much smaller increases in industrial prices in order for the total index to remain stable. This situation helped to account for the relative stability of wholesale prices between 1953 and 1955, as can be seen in the chart below.

The relative stability of the dollar's purchasing power in terms of all wholesale commodities since 1958 has been the result of a somewhat similar situation. Since the beginning of 1960, however, prices of farm products and processed foods have risen, while industrial commodity prices have fallen slightly.

WHAT THE 1947-49 DOLLAR WILL BUY TODAY

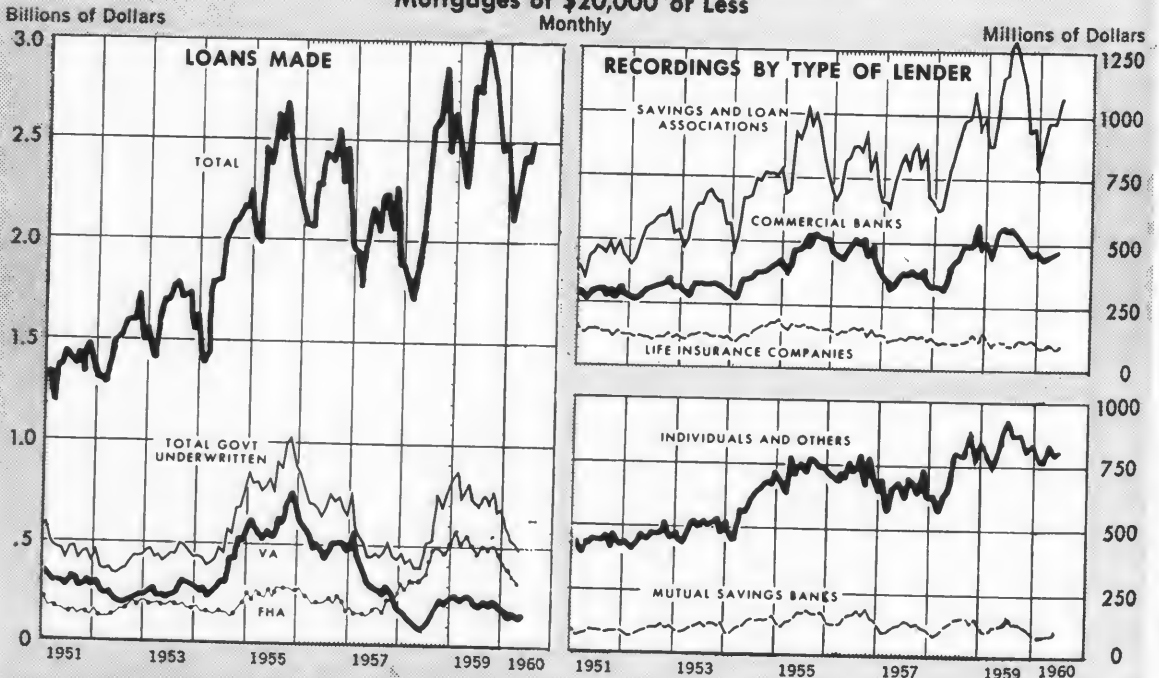


SALES AND INVENTORIES Manufacturing and Trade



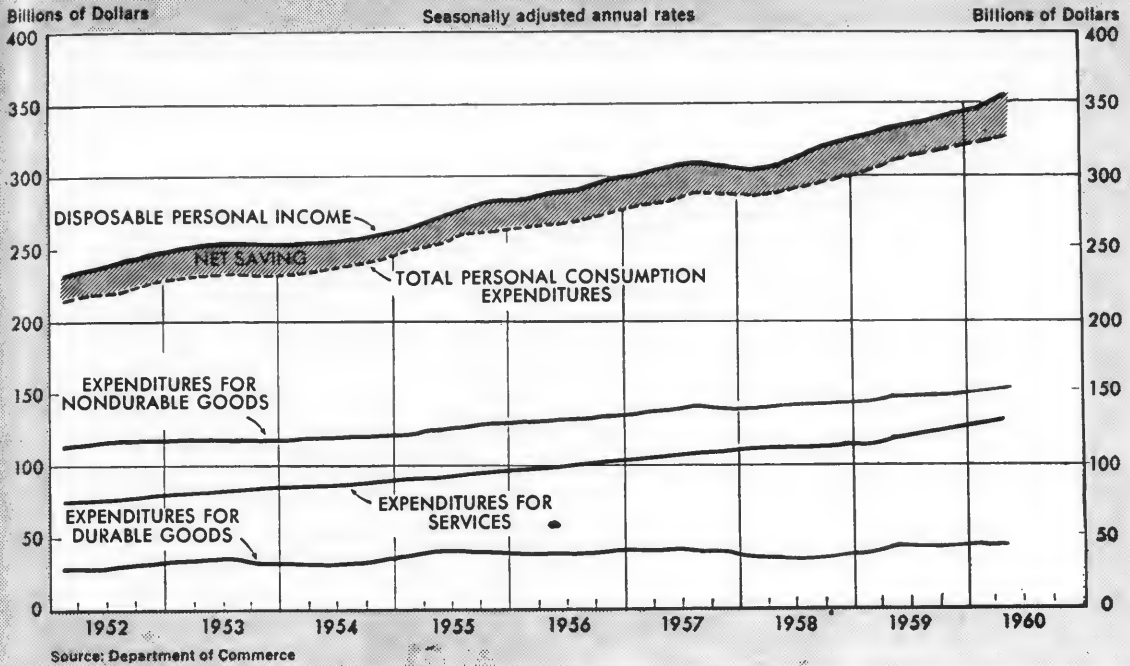
* Manufacturing, Retail Trade, and Wholesale Trade
SOURCE: Department of Commerce and Board of Governors of the Federal Reserve System

NONFARM RESIDENTIAL MORTGAGE FINANCING Mortgages of \$20,000 or Less Monthly

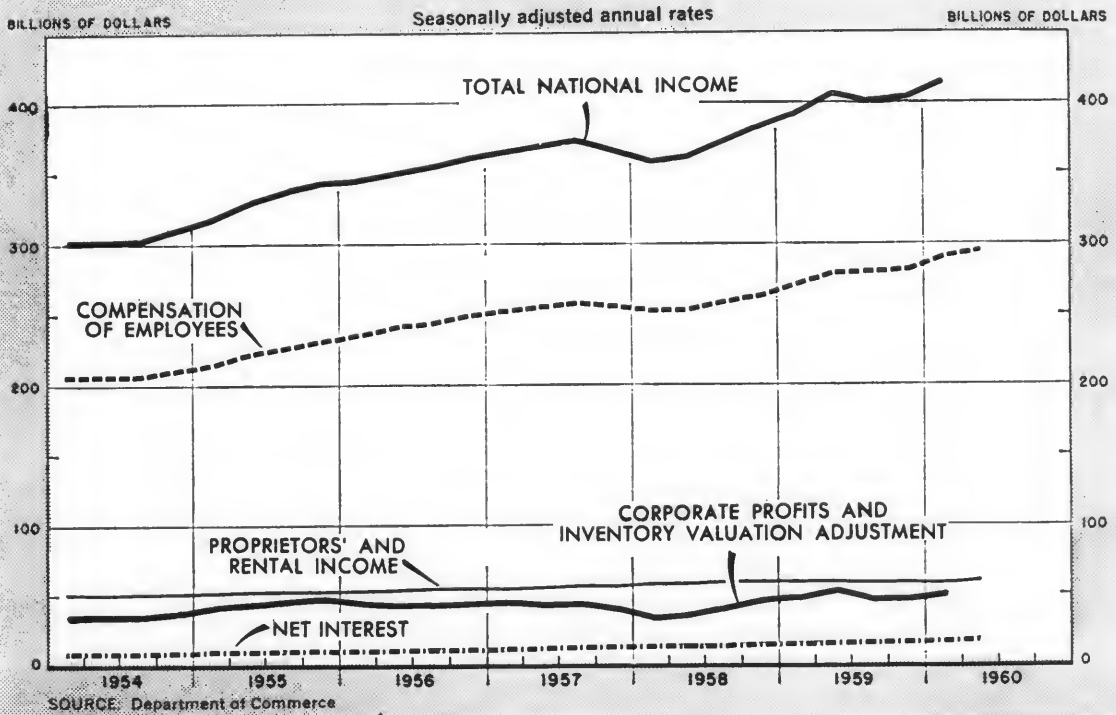


Board of Governors of the Federal Reserve System

DISPOSITION OF PERSONAL INCOME

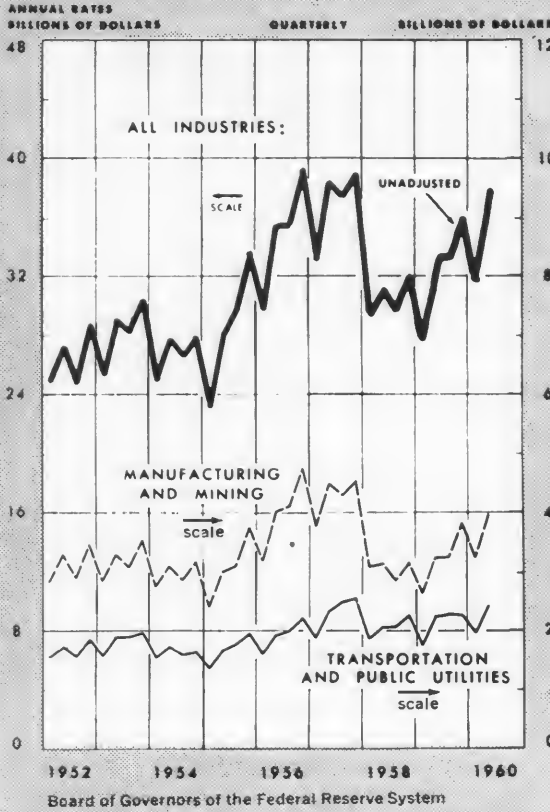


NATIONAL INCOME



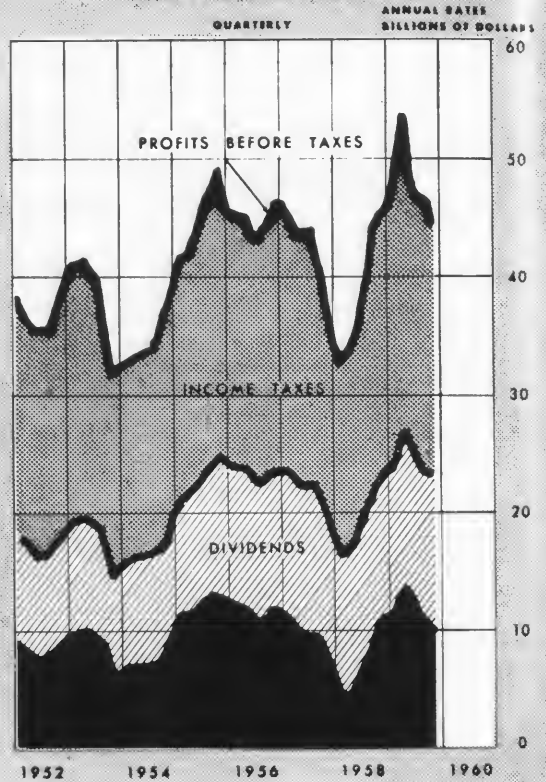
BUSINESS EXPENDITURES ON NEW PLANT AND EQUIPMENT

Securities and Exchange Commission and
Department of Commerce estimates



CORPORATE PROFITS, TAXES, AND DIVIDENDS

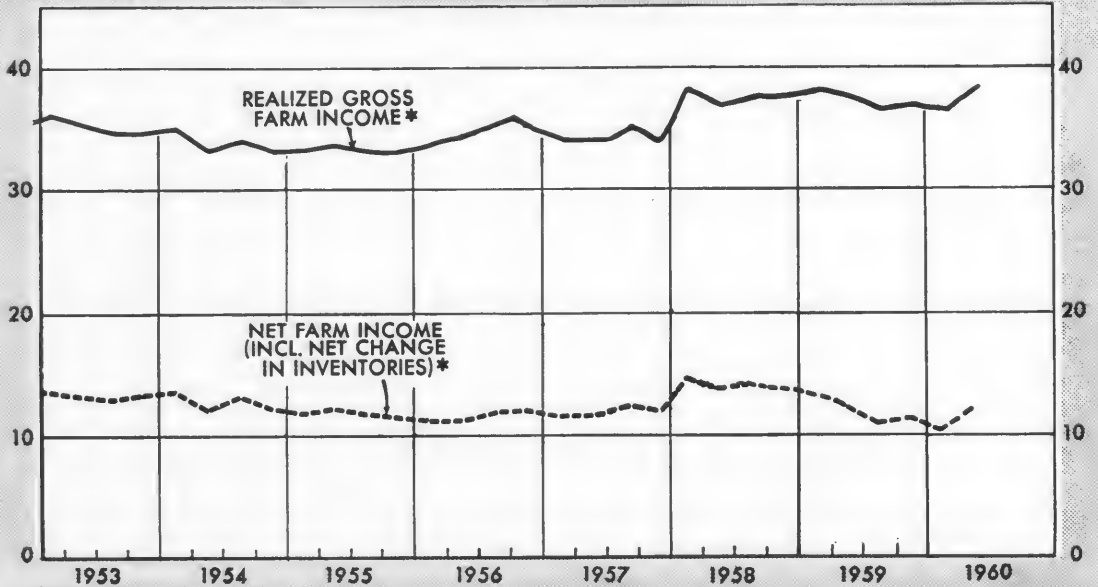
Department of Commerce estimates
Adjusted for seasonal variation



FARM INCOME

Billions of Dollars

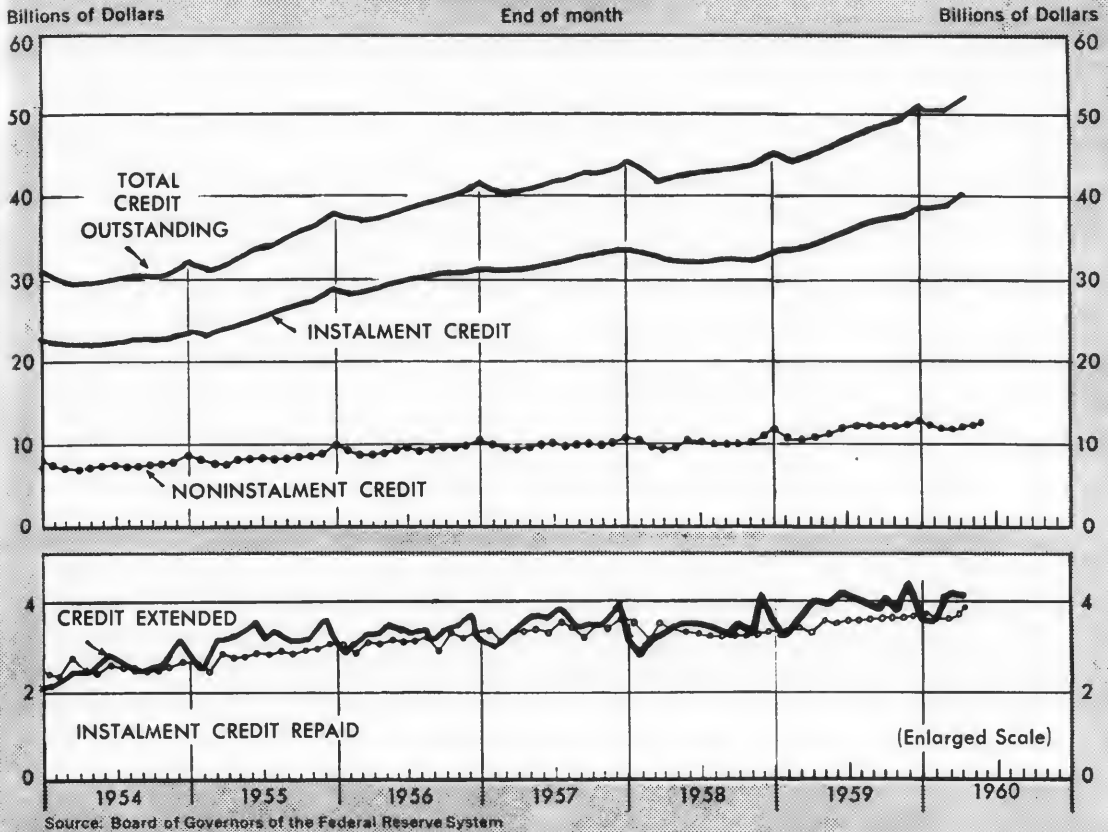
Seasonally adjusted annual rates



*Income of farm operators from farming

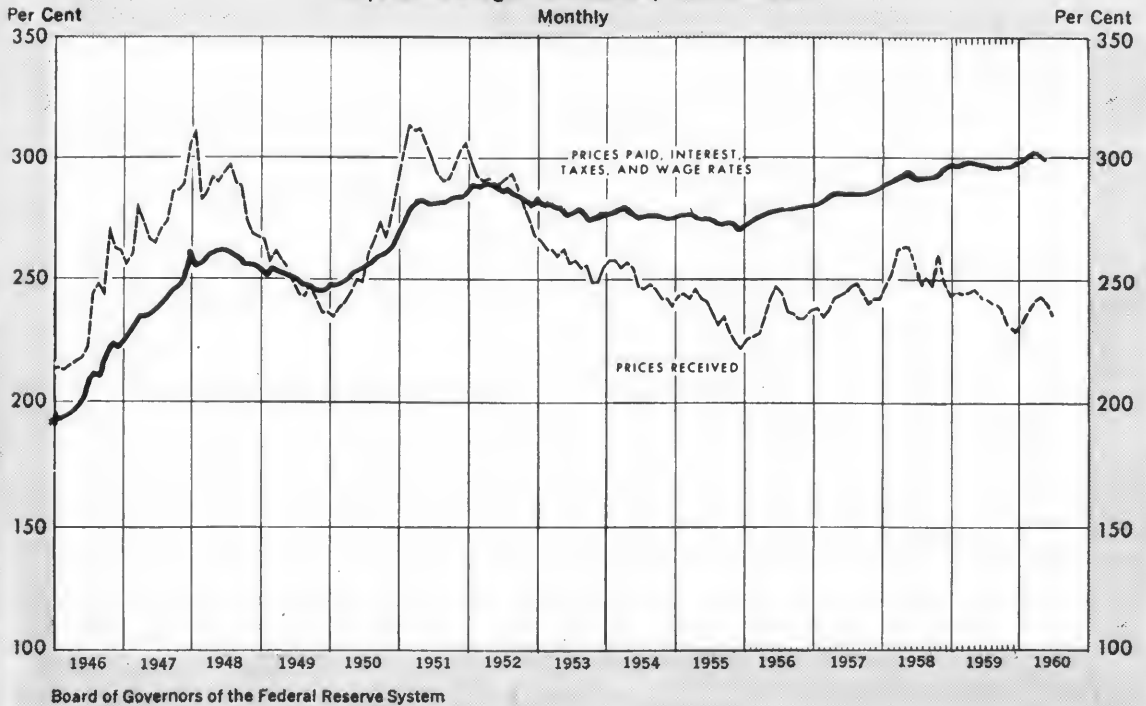
Source: Department of Agriculture

CONSUMER CREDIT

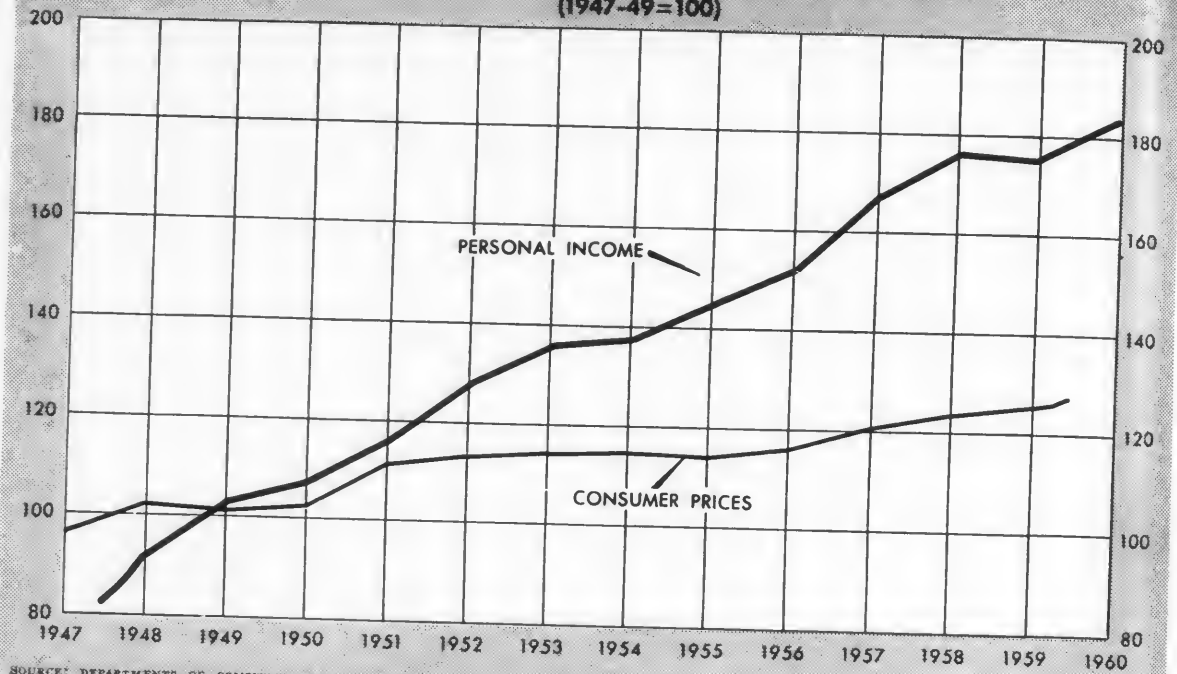


PRICES PAID AND RECEIVED BY FARMERS

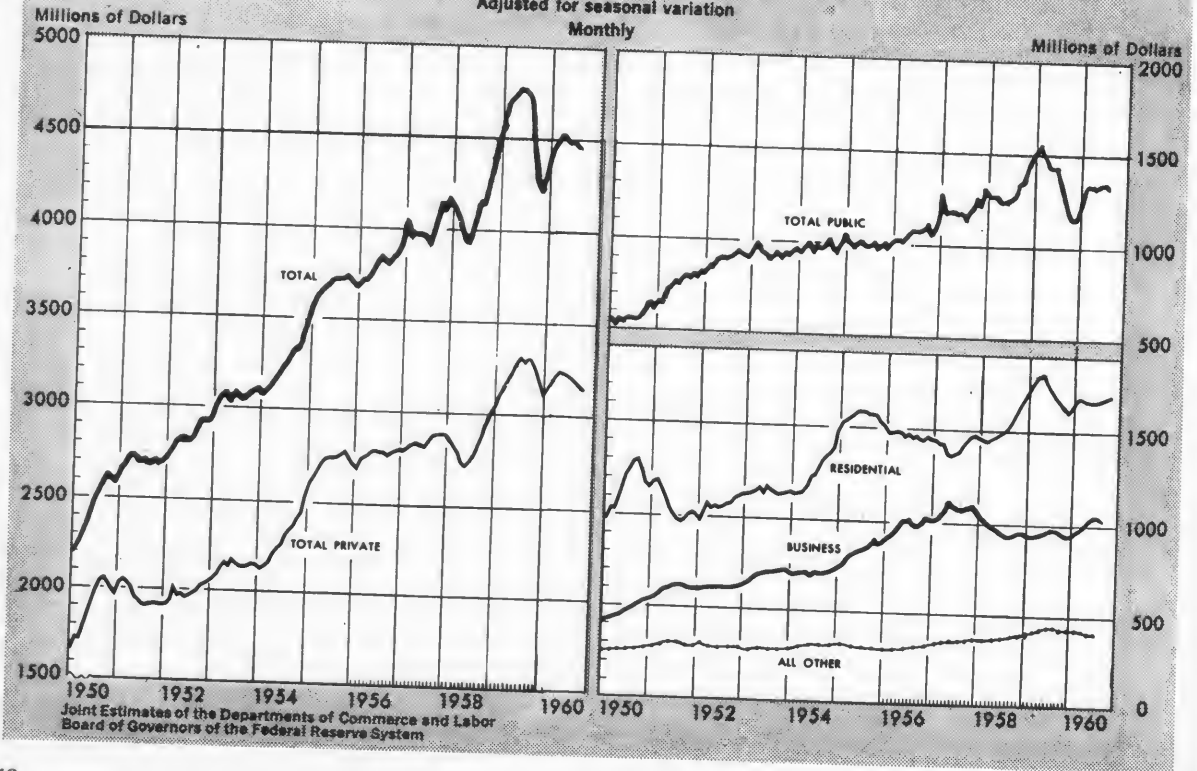
Department of Agriculture indexes, 1910 - 14 = 100



PERSONAL INCOME INDEX AND CONSUMER PRICE INDEX
(1947-49=100)



VALUE OF NEW CONSTRUCTION ACTIVITY
Adjusted for seasonal variation
Monthly



Some Opinions on the Months Ahead

THE expansionary forces which were evident earlier in the year have become less active. During the last quarter, I would expect to see some renewed vigor in these forces, but perhaps not to the extent anticipated earlier.—S. CLARK BEISE, *president*, Bank of America



WHILE most measures of economic activity are clearly headed for new peaks in 1960, there remains some uncertainty as to whether business profits, after taxes, will make the grade.—*Monthly Letter*, First National City Bank of New York



I'M not expecting any big downswing, not any serious situation. I think we might expect a degree of recovery.—ROY BLOUGH, *Professor of International Business, Graduate School of Business, Columbia University*



IF business volume and profits develop as appears most likely at this time, it is hard to be very bullish or very bearish "on the market" at prevailing levels. But a case can be made not only for holding equities but also for committing additional funds to common stocks of particular individual merit . . . —*Fortnightly Review*, CARL M. LOEB, Rhoades & Co.



GENERALLY, the outlook is considered bright, and no real reversal is foreseen in the level of business activity in the near future. There are, of course, geographical variations, but there is considerable agreement among bankers in the 12 Federal Reserve Districts on the present business situation and on the prospect for the rest of 1960.—*Business and Credit Outlook, Survey of Banker Opinion*, by the American Bankers Association



LOOKING ahead to the third and fourth quarters, it seems unlikely that the slowing down of inventory accumulation has entirely run its course, as a significant number of manufacturers seems to expect lower inventories at the year end. . . . Governments are expected to spend more over the months ahead. . . . —*New England Letter*, First National Bank of Boston



THE decline in the market is nearly over, and should be completed during coming weeks.—RAGNAR D. NAESS, *senior partner*, Naess & Thomas, New York

UNDER current conditions and for the foreseeable future I would think that bonds should tend to do better—that Government bonds around the five year range would be more attractive than longer Governments. . . . High grade corporate bonds seem reasonably attractive at current levels. . . . While it is very hard to generalize on common stocks, in my opinion there should be a tendency over the next few years for stocks to sell at lower multiples times earnings rather than at the generally high ratios now current.—H. FREDERICK HAGEMANN, JR., *president*, Rockland-Atlas National Bank, Boston



THE stock market will be doing well just to digest the past rise and reflect earnings. We've had a bear market in many segments of the stock list for the last year or two. This is a situation where adjustment can take place both in business and stock values without upsetting the apple cart.—ARMAND G. ERPF, *investment banker with Carl M. Loeb, Rhoades & Co., New York*



SAYS F. S. Mosely & Co.: "We are convinced new purchases and present holdings should be carefully scrutinized for qualifications to meet the possibility of a declining market trend in late 1960 and early 1961."—*The Wall Street Journal*



. . . THE prospects for increased [department store] business during the current year are good.—Harris Trust and Savings Bank's analysis of comparative financial and operating data of 16 major department stores



WHAT continues to trouble us most . . . are the capital outflows (both private and Government), the military transfers under grant-aid, and the flow of gold out of the country.

Predictions on steel production in 1960 again have been revised downward. Best now expected—115,000,000 tons. Worst—110,000,000. Early in January it was believed that a record of somewhere between 125,000,000 and 130,000,000 would be produced.

Observers say that total construction for 1960 will be off about 2% to 3%. Hard hit residential construction (down 15% to 20%) will be offset by substantial increases in commercial and industrial construction.

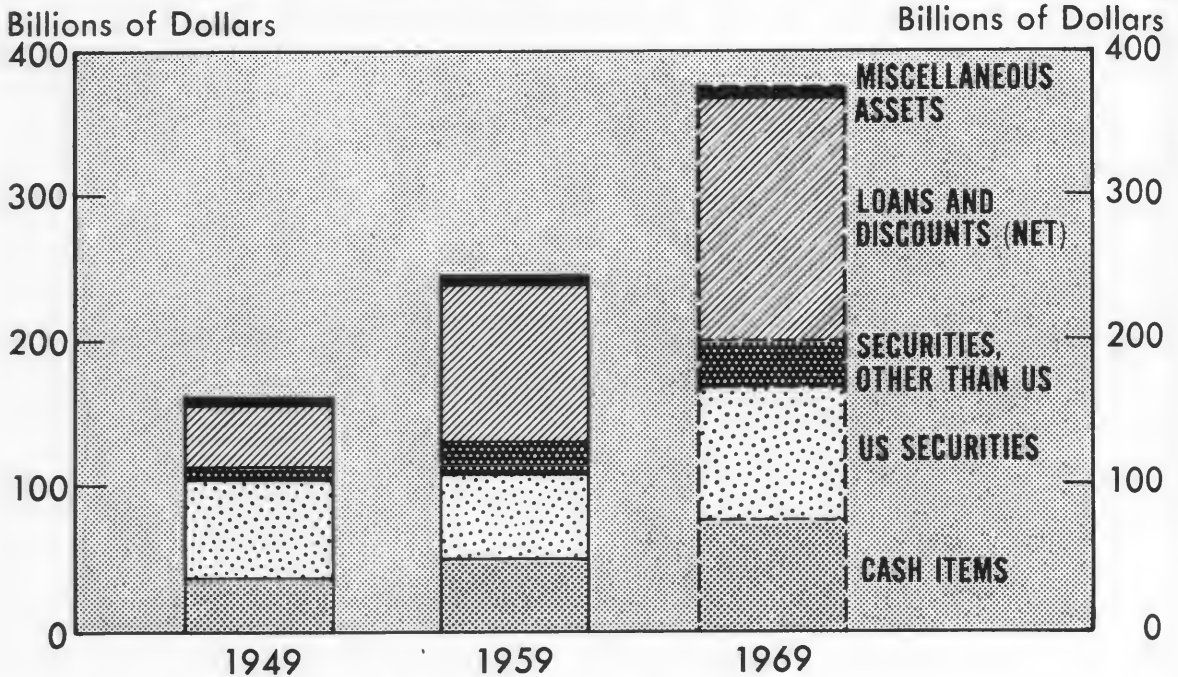
Petroleum industry continues to be in the doldrums—plagued by the perennial problem of oversupply.—ARTHUR A. SMITH, *vice-president and economist*, First National Bank of Dallas

Balance Sheet of the

BANKING TRENDS IN THE 1950s (AND 1960s?)

(ALL COMMERCIAL BANKS)

(I) ASSETS



SOURCE: SEE ACCOMPANYING TABLE. YEAR-END DATA.

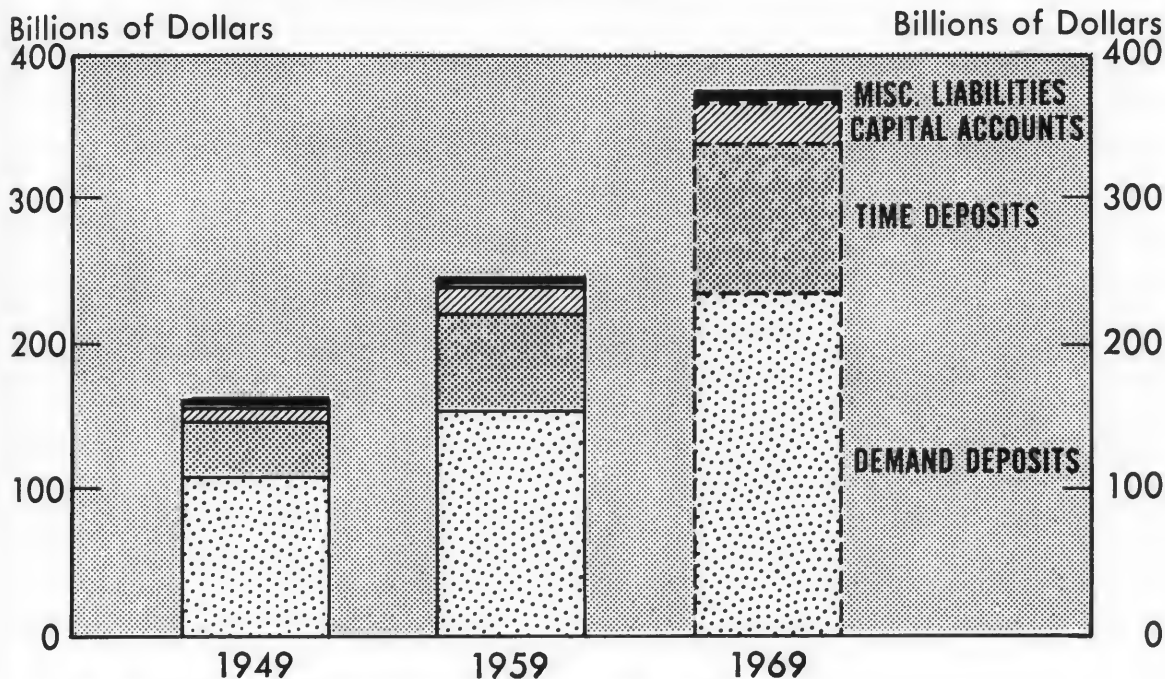
Item	(December 31 data, in billions)					
	Commercial banks, stock savings banks and nondeposit trust cos.			Mutual savings banks		
	1949	1959	1969 (est.)	1949	1959	1969 (est.)
TOTAL ASSETS	159	245	377	21	39	72
Cash—Balances with other banks and cash collection items	36	50	77	1	1	2
Securities						
U. S. Government (including guaranteed)	67	59	91	11	7	13
Other	10	21	32	2	6	11
Loans and discounts (net)	43	111	171	7	25	46
Loans and discounts, (gross before valuation reserves)	44	113	174	7	25	46
Real estate, total	12	28	43	7	25	46
Secured by farm land	1	2	3	—	—	—
Other loans to farmers	3	5	8	—	—	—
Commercial and industrial	17	40	61	—	—	—
Personal loans	9	24	37	—	—	—
Miscellaneous assets	2	5	7	—	1	2

American Banking System

BANKING TRENDS IN THE 1950s (AND 1960s?)

(ALL COMMERCIAL BANKS)

(II) LIABILITIES



SOURCE: SEE ACCOMPANYING TABLE. YEAR-END DATA.

Item (December 31 data, in billions)
Commercial banks, stock savings banks and nondeposit trust cos. Mutual savings banks

	1949	1959	1969 (est.)	1949	1959	1969 (est.)
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	159	245	377	21	39	72
Deposits	146	221	339	19	35	65
Demand	109	153	235	—	—	—
Time	37	68	104	19	35	65
Government, U. S., state and local	12	20	30	—	—	—
U. S. Government, demand	3	5	8	—	—	—
Miscellaneous liabilities	2	5	7	—	1	2
Capital accounts	11	20	30	2	3	6

SOURCE: FDIC. 1949 data from 1949 annual report, Table 105; 1959 data from 1959 annual report, Table 108. Data for 1969 estimated by projecting 1949-59 growth rate of total assets and liabilities and attributing to each 1969 balance-sheet item the same percentage of the total as obtained at the end of 1959.

NOTE: Any discrepancies in summation are due to abbreviation of the items and the non-deduction of valuation reserves from gross loans and discounts. In the mutual savings banks columns, items below \$500,000,000 are blanked.

Balance Sheet: the 50s and the Trend

THE table and charts on pages 50 and 51 graphically portray the expansion of commercial and savings banking during the 1950s, as well as the decade's net change in the composition of assets and liabilities. In studying these and other data, however, it is well to remember a remark by the Commerce Department, in discussing changes in the GNP: "A decade's experience is generally not sufficient to indicate a long-term trend, especially when developments are as influenced by temporary factors as they were in the period under review," the 1950s.

Since our population growth and working-force growth is reasonably predictable for the 1960s, an expansion of the GNP is generally expected. With this development there is bound to be an increase in banking activities. How much of an increase we do not venture to predict. As pointed out elsewhere, GNP and banking do not necessarily progress exactly in relation to each other.

In the accompanying table and charts we do not predict; we merely assume that total banking assets—commercial and savings separately—continue to grow during the Sixties at the same average rate at which they grew during the last decade. On this basis, total assets of commercial banks, \$159-billion in 1949 and \$245-billion at the end of 1959, will be \$377-billion at the end of 1969. Similarly, total assets of mutual savings banks, which were \$21-billion in 1949 and \$39-billion last year, will reach \$72-billion by 1969.

We have made the further assumption, which is by no means safe, that the composition of bank assets and liabilities in 1969 will be proportionately the same as in 1959. On this assumption commercial banks in 1969 will have \$235-billion of demand deposits and \$104-billion of time deposits. Their loans and discounts after valuation reserves will be \$171-billion. They will be holding \$77-billion of cash items, \$91-billion of Federal Government direct and guaranteed securities, and \$32-billion of other securities.

Composition of Assets Cannot Be Foreseen

The composition of commercial bank assets in 1969 will depend on a large number of factors which cannot be foreseen. The composition varies markedly from year to year. One need mention only a single example: U. S. Government securities, which banks sold so heavily last year. During the past 10 years commercial bank holdings of U. S. Government securities showed a net decline from \$67-billion to \$59-billion, as the table records. This meant an average decline of 1.3% a year. Were we to assume that the same average decline would prevail through the 1960s, by 1969 commercial banks would be holding only \$52-billion of such investments, instead of the \$91-billion assumed in the table. A continuation of the net decline recorded through last December is unrealistic, both from the standpoint of trends in public finance and from that of present bank liquidity preferences, although these may change as time and circumstances dictate.

The year-to-year fluctuations in commercial bank holdings of Governments render the average decline of

1.3% *per annum* rather meaningless. FDIC data for all banks covering the past decade show that, while in 1959 the banks sold almost 11% of their Governments, in 1958 they increased their holdings of Federal securities by nearly 12%. During the preceding years many changes occurred. In 1955, 1956, and 1957 portfolios were reduced by 10% a year, or less. But in 1954 they were increased by 7%.

Indeed, there is much shifting in the composition of bank assets and liabilities. Other all-bank FDIC data show during the past decade fluctuations in cash items from plus 12.4% (1950) to minus 7.5% (1949); "other securities," up 16.8% (1950) but down 14.5% (1958); loans and discounts, up 21.8% (1950) and 16.9% (1955), down in no year of the decade, although in 1949 they increased only 2.8%.

Naturally, there is much variation from year to year in specific categories of loans. Commercial and industrial loans declined 9.8% in 1949, rose 28.3% in 1950, declined 1.1% in 1954, rose 23.6% in 1955 as the recession ended.

The following annual percentage changes illustrate

Immediate Prospect: Credit Rise

BANK credit . . . is likely to rise between now and the year-end. The business outlook generally suggests a more than seasonal rise in bank loans. Income and employment would indicate a sustained high volume of consumer buying and a survey of consumers confirms this opinion. If this expectation is realized, a substantial rise in instalment credit is likely. While total inventories are at record levels, stocks on hand at retail level are low in relation to sales, suggesting some possible expansion of business buying. Furthermore, the Treasury will have a seasonal cash deficit of \$4- or \$5-billion in the last half of the year, despite a projected budget surplus for fiscal 1961. It is likely that some portion of this temporary increase in the Government debt is likely to find its way into the portfolios of the commercial banks.

Because of the less restrictive credit policy of the monetary authorities, it seems reasonable to expect that the banking system will be supplied with additional reserves. This will enable the commercial banks to accommodate the increase in demand for bank credit that I believe will develop in the months ahead.

The capital investment programs of business, as in the recent past, are expected to be largely financed by internal funds . . . with perhaps some small resort to the capital markets. On the other hand, the lower level of yields in the capital markets probably will cause the volume of state and municipal bond issues to rise modestly.

On balance, however, I would expect interest rates to be relatively firm in the months ahead.—HOMER J. LIVINGSTON, *chairman*, The First National Bank of Chicago

clearly the differences encountered among various categories of loans as time passes:

Category	Percentage change		
	1954	1955	1956
Commercial & industrial	-1.1	23.6	16.5
Agricultural (non-real-estate)	4.8	-14.0	-7.0
For carrying securities	24.8	13.3	-14.9
Real estate	12.7	14.5	10.4
Other loans to individuals	2.1	16.5	9.8
All other	20.5	55.5	6.4
TOTAL	6.4	16.9	10.1

The Fifties also revealed fluctuations from year to year in liabilities. The increase in capital accounts, however, was fairly steady, averaging about 5.6% a year; but there was a jump between the low year of the decade, 1953, when capital accounts were increased only 4.9%, and 1954, when the increase was 7.1%. In 1955 it was again 4.9%. During two years of the decade, 1957 and 1959, demand deposits declined by 1.3% and 2.7%, respectively. Annual increases ranged from 0.3% in recession 1953 to 9.8% in 1950, the year of Korea.

Time deposits increased each year during the Fifties, with an annual range of from 1.4% (1950) to 10.1% (1958). In no year did state and local government deposits decline. But U. S. Government deposits moved erratically, declining in three of the 10 years. The greatest decline was 15.1% in 1953; the greatest increase, 44.5% in 1952.

For 1949-1959 as a whole, the assets and liabilities of commercial banks increased, net, by 44%. Demand deposits increased 34%; time deposits, 63%. Capital accounts increased by 62%. Loans and discounts in the aggregate increased 121% over the decade. Personal loans showed the biggest percentage growth: 103%. Total real estate loans increased 88% and commercial and industrial loans, 89%.

Growth of Deposits in the Sixties

SEVERAL different estimates of the growth of bank deposits in the Sixties are available. The 1957 FDIC report, assuming a 4% per annum growth of deposits of insured banks and using the end of 1956 as its starting point, estimated that such deposits would reach almost \$363-billion by the end of 1969 and \$378-billion a year later.* In Senate testimony this year FDIC's controller, William G. Loeffler, estimated total deposit liabilities in 1970 at \$361-billion. In a recent article, Kentucky University Professor John T. Masten projects deposits of insured commercial banks to \$400-billion by 1970.† He explains that his larger figure is based mainly on the fact that in the Fifties banks met some of the loan demand by selling U. S. securities, something they cannot repeat on the same scale in the Sixties.

* As given in FDIC's 1957 annual report, p. 57, the estimates up to 1968 were as follows, in billions of dollars:

1957	227	1962	276	1967	336	1972	408	1977	497
1958	236	1963	287	1968	345	1973	425	1978	517
1959	245	1964	298	1969	363	1974	442	1979	537
1960	255	1965	310	1970	378	1975	459	1980	559
1961	265	1966	323	1971	393	1976	478		

† *Commercial & Financial Chronicle*, July 21, 1960.

Dr. Masten points to a number of differences in the banking outlook now and 10 years ago. Then member banks had free reserves of nearly \$1-billion. These they do not have today, due to the Fed's policy of restraint. In the 1950s interest rates rose. In 1959 they were about double those of a decade earlier. As loans and discounts increased by about 163% to meet the great demand for credit, cash assets and secondary reserves—and bank liquidity—declined. Therefore, banking has not the same opportunity to expand in the 60s, which it should if the economy is to grow as desired. In an expansion comparable to that of the 50s, Prof. Masten estimates that loans of insured banks would have to reach \$280-billion by 1970, as compared with \$42-billion in 1949 and \$111-billion in 1959. Private and Government credit demand will be greater in the 60s than in the 50s. Bank holdings of municipals may be expected to grow. Along with loans and investments, bank deposits will grow. The \$400-billion 1970 estimate is without allowance for any inflation.

A Solution Might Be Lower Reserve Requirements

Deposits of \$400-billion will require larger reserves than are now in sight, given present reserve requirements. Overhanging our declining gold stock is the potential threat of withdrawal of foreign funds. Pointing out that member bank reserves were 11.5% of total commercial bank deposits in 1949 and only 8.2% in 1959, if the percentage declines to 6% in 1970, he holds, another \$6-billion in reserves must be found. Dr. Masten concludes that the 60s could witness a credit pinch for the banks and the Federal Reserve System; and that a solution may be sought in lowering reserve requirements if not in devaluing the dollar. If so, inflation may swell the money supply and bank deposits even more.

Excess liquidity being now a thing of the past, future banking growth depends on growth of the money supply as determined by Washington policies. The drastic decisions adumbrated in the preceding paragraph, if they materialize at all, are still far off. Under present conditions the Fed endeavors to gear the total money supply to the long-term rate of growth of the economy, say 3%. Nor must the money supply grow at exactly the rate of economic growth. The money supply is being used ever more efficiently. Improved methods of handling corporation cash, better intercorporate economies, and greater use of credit cards are examples. A money supply that turns over is the equivalent of a larger supply that is less active. Such considerations enter into determination of Federal Reserve policies.

As pointed out by the Federal Reserve Bank of New York in its 1959 booklet, *Deposit Velocity and Its Significance*, "it is likely that the institutional factors affecting velocity (of deposits) will continue to be subject to further changes in the direction of higher rates of turnover." Of the import to central banking, it states:

"With the re-emergence [in 1951] of a flexible monetary policy, velocity became a more significant, as well as a more meaningful, element in monetary analysis. Once market rates of interest became again an allocator of funds . . . and a broad range of market instruments became available as an alternative to holding cash, velocity ratios became a barometer, rather than merely an interesting statistic. . . . It is now widely recognized that money supply has two dimensions: size and velocity."

R_y for Taking Growth Statistics

LIKE Calvin Coolidge's preacher, everyone is against sin. And everyone today is for "growth"—that's for sure. For years growth has been a constant subject of discussion and inquiry in political and politico-economic circles: in the Congress, the White House, and Government bureaus; in academic meetings and learned journals; among businessmen and bankers; in the press and on the air.

Growth is what we all want. We never get enough of it. Anyone who comes up with an idea for increasing growth has a key to popularity. To John Q. Voter, more growth means more income, more things to buy, more money in the bank, more leisure; and, he is told, more national strength and military safety. So who can be against growth, and more growth; especially when—as we are told—we can obtain it quite readily through Washington? Through an end to tight money and high interest rates; through changes in Federal Reserve and Treasury policies; through fearless spending by the Government for schools, roads, hospitals, housing, slum clearance, and other programs.

Both political platforms and their

Sound Growth Must Be Based on Sound Money. Increases in Dol- lar Magnitude Can Be Misleading

candidates pay obeisance to growth, although the issue has not just been discovered. Under Democratic leadership the Joint Economic Committee in the Congress has held extensive hearings on it. And the Administration, long before the present election campaign, created Mr. Nixon's Cabinet Committee on Price Stability for Economic Growth. Nonpartisan private associations have delved into the question. The Committee for Economic Development has given it much attention. The A.B.A. has its own Committee for Economic Growth Without Inflation.

As to whether we can grow faster without inflation, there seem to be two schools of thought. Our long-term growth rate, they say, is less than 4%. Governor Rockefeller and his brothers think this can be raised to 5% or 6%. Candidate Kennedy

says: "Nixon used the term 'growthmanship' to talk about what is probably the most important domestic problem, which is the point where we can absorb this increase in population and the new machines and keep full employment and prosperity. He used it as a sarcastic term, growthmanship, to counter Mr. Rockefeller's argument, which I think had great validity . . ."

"Two Opposing Philosophies"

In his St. Louis speech on "growthmanship" last June, Mr. Nixon entered what he called "a major national debate" on an issue "which points up sharply the difference between two opposing philosophies of government in this country."

"The growthmanship school," he then said, "argues that the Government should plan and manipulate the economy to arrive at an arbitrary, fixed percentage rate of growth. They believe that any kind of Government activity directed toward this objective is good. Generally, they have greater faith in Government action than in private enterprise as a creative force in insuring economic progress. For example, they believe the Government should peg interest rates at artificially low levels to assure growth. They admit that this would be inflationary, but they say, 'Inflation is a small price to pay for progress.' We say that this policy in the long run would wreck the economy, not expand it."

After Mr. Nixon's pre-nomination visit with Gov. Rockefeller in New

Average Yearly Growth Rates

<i>Economic indicator</i>	<i>Long-term</i>		<i>1947 to</i>
	<i>Period covered</i>	<i>Rate</i>	<i>1959</i> <i>second quarter</i>
Real gross national product	1909-57	2.9%	3.6%
Industrial production	1909-57	3.5	3.7
Total labor force	1929-58	1.3	1.3
Real GNP per person engaged in production	1929-57	1.6	2.4*
Per capita disposable income in constant dollars	1929-57	1.6	2.0
Prices (implicit GNP price deflator)	1909-58	2.5	2.6

* Data on persons engaged in production unavailable for 1959. Figure shown based on number of persons employed. Terminal period is average for first two quarters of 1959.

York, the Governor stated that the two had agreed that:

The rate of our economic growth must, as promptly as possible, be accelerated by policies and programs stimulating our free enterprise system—to allow us to meet the demands of national defense and the growing social needs and a higher standard of living for our growing population. As the Vice-president pointed out in a speech in 1958, the achievement of a 5% rate of growth would produce an additional \$10-billion of tax revenues in 1962.

The "policies and programs" mentioned evidently refers to Government action through spending on defense, social welfare, and the like. This resembles what the Democrats have been advocating, except for the gesture toward free enterprise. The more conservative Republicans—and not only Republicans—want the Government through tax and other policies to create a climate favoring growth through private initiative. They fear that the program of the liberals will result in inflation. And, as history has shown, in the end inflation impedes growth.

According to David Rockefeller, vice-chairman of the Chase Manhat-

tan Bank, "if a national effort to accelerate growth were to be adopted, there is reason to hope we could lift our annual rate of economic advance to perhaps 5%, or possibly even 6%, assuming policies which emphasized economic growth were pursued with sufficient vigor." Measuring growth in terms of GNP, at the present rate GNP will be \$750-billion by 1970; at 6% it would reach \$900-billion, he calculates.

Our Best Yardstick

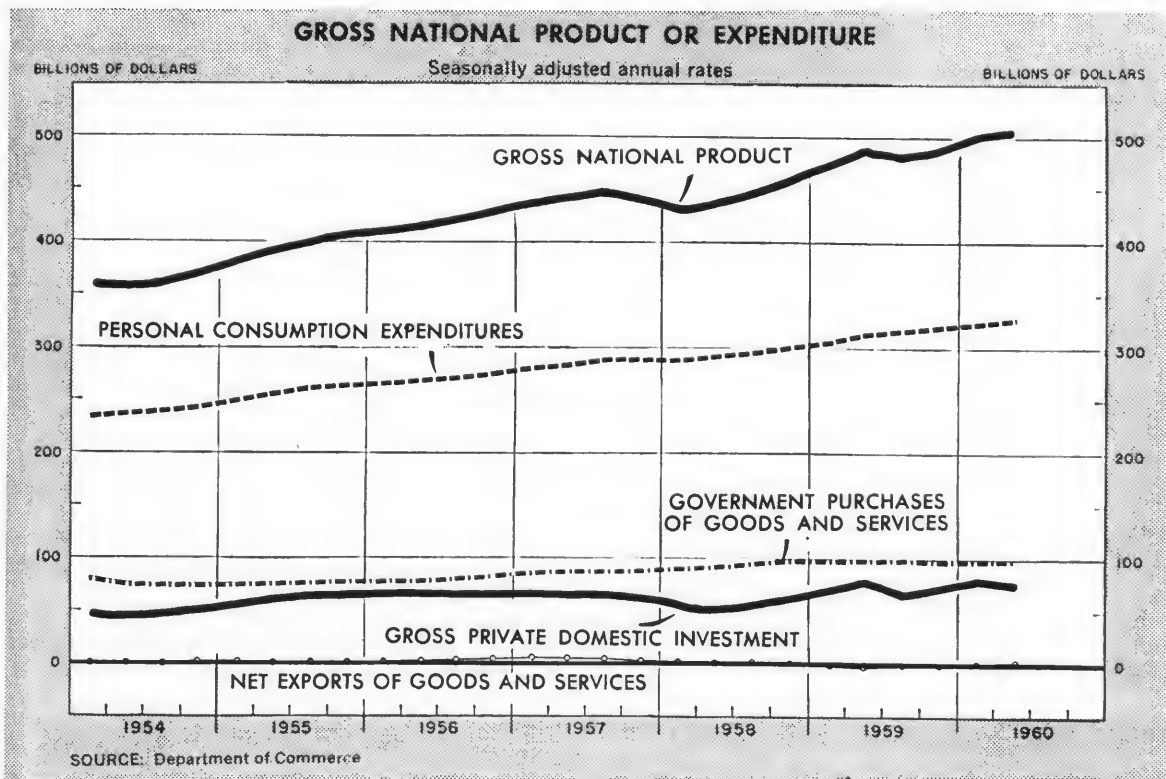
GNP, our gross national product of goods and services, is widely used as a measure of our growth. Our GNP data are perhaps the best in the world. Yet they are far from perfect. They include the value of all Government activities, however unproductive they may be. The data are made of facts, estimates, and guesses.

GNP is the best over-all measure of our economy available. But it is not the only measure of growth. Thus, in preparing their "growth reckoner," CED researchers used, in addition to GNP in current dollars, six other series: (1) real gross national product; i. e., growth in terms of constant dollars; (2) industrial production; (3) total labor force; (4) real GNP per person employed

or engaged in production; (5) real per capita disposable income; and (6) prices. Pointing out that we do not get our growth at a steady rate, but rather in bursts and lags interspersed with some fairly rhythmic periods of small ups and downs around a trend line, CED on applying the above six criteria found the data shown in the table on page 54.

CED's economists comment: "The choice of 1947 as a starting date does not imply that 1947 was a 'norm' for judging economic growth since. It has defects, but so do other starting points in the postwar era. No particular year would be ideal. In some cases, comparison with another early postwar year would substantially change the annual average growth rate for the postwar period."

In fact, by carefully choosing the base year, almost any rate of growth within a considerable range can be proved. Comparisons of growth during the Truman and Eisenhower Administrations, for example, are a common cause of debate on this account. A recent exhibit of this sort was the so-called Eckstein Report produced by the staff of the Joint Economic Committee last winter, followed by the committee's majority and minority commentaries on



the President's economic report. The Eckstein group found that the average rate of economic growth was 4.6% under Truman and 2.4% under Eisenhower.

To Suit Your Taste

To show how easy it is to find a rate of growth to your taste by shifting the base year or years, the McGraw-Hill department of economics prepared the table below, offering rates of growth all the way from -2.3% between 1957 and 1958 to +8.7% from 1949 to 1950.

"For example," states McGraw-Hill, "if you want to demonstrate that the postwar growth rate through 1953 was less than 4% per year, you take off from 1946, include a drop of 0.1% between 1946 and 1947, and come up with a growth rate for . . . 1946-53 . . . of 3.9%. But if you want to show it was quite high, you take off a year later, from 1947 (which drops out that dismal -0.1% for 1947) and come up with a fine growth rate of 4.6% for the 1947-53 years.

"That's what the Eckstein staff did. It took off at one end from a year when there was just about no growth, went to the Korean war boom year of 1953 at the other end, and got that average growth rate of 4.6%. Then it took off from the Korean war boom year of 1953 and ran to . . . 1959, when business was recovering from a recession and suf-

fered through a steel strike of 116 days, to come up with its 2.4% growth rate for the second postwar period. . . . By taking off a year later the average growth rate would have become 3.2%, and if the takeoff had been 1949, it would have been 3.8%."

This sort of argument goes on continuously. One is reminded of that old wheeze: Figures don't lie, but liars figure.

One reason for the great interest in our growth nowadays is Soviet competition, both military and economic. The stronger our economy, the greater our military power. Moreover, Khrushchev has threatened to "bury" us,—economically, he sometimes explains. Last year the Joint Economic Committee held a series of hearings called "Comparisons of the United States and Soviet Economies." For various reasons, meaningful comparisons of our rate of growth and Russia's are very difficult to make. We know that Russia's growth started from a low level after World War II. As Russia's competitor—whether in the military, economic, or political sense—we must grow and grow soundly.

Postwar Growth Widespread

Since the war not only Russia but Germany, Japan, and other countries have been growing faster than we have. Others which have outspeeded us since 1950 are France, the Netherlands, Canada, Italy, Mexico, Pan-

ama, and Venezuela. Most of these nations, the Chase Manhattan Bank points out, plowed back a higher proportion of GNP into capital investment than we did; moreover, the U. S. impedes growth by its policies affecting agriculture, transportation, work rules, and taxation. The bank adds:

Any realistic attempt to increase the rate of economic growth would have to include measures to increase the rate of investment. Measures to provide more realistic treatment of depreciation for tax purposes and to reduce moderately the burden placed on investment by high corporate and individual income taxes could yield most beneficial results.

In contrast, an attempt to increase the nation's rate of growth by large increases in Government expenditures and easy monetary policies could prove to be abortive. Under certain circumstances, policies of calculated inflation may increase the short-term rate of growth. But in the longer run they are sure to be self-defeating—they can only produce the illusion of growth through price inflation.

Senator Kennedy has stated his intention to seek a more liberal Federal Reserve policy if he becomes President. It is, therefore, pertinent to recall Board Chairman Martin's testimony on monetary policy and growth before the Joint Economic Committee last February. We must, he said, guard against mistaking increases in dollar magnitudes for real economic growth. A more rapid expansion of bank credit and money would not stimulate greater aggregate output, but would lead to a bidding up of prices and misapplications of resources that would actually reduce the true value of current production. To avoid that, sustained confidence in a stable dollar is necessary. In addition, Gov. Martin said, sound growth requires balanced and sustained demands for labor and the products of business, improved technology and skills, adequate capital formation based on voluntary savings, greater mobility of resources, and sufficient flexibility of individual prices.

Price Stability Is Basic

"My interest in a monetary policy directed toward a dollar of stable value is not based on the feeling that price stability is a more important national objective than either

Annual Average Growth Rates of the U.S. Economy, 1946-59¹

[Percent increases, starting year to terminal year, of GNP in 1954 dollars]

Starting year	Terminal year													
	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
1946	-0.1	-1.9	-1.2	3.0	3.9	3.8	3.9	3.2	3.7	3.6	3.4	2.9	3.2	
1947			3.8	1.8	4.1	4.9	4.6	4.6	3.7	4.2	4.0	3.8	3.2	3.5
1948				-1	4.2	5.3	4.8	4.7	3.6	4.3	4.0	3.8	3.1	3.4
1949					8.7	8.1	6.5	6.0	4.4	5.0	4.6	4.2	3.5	3.8
1950						7.4	5.4	5.1	3.4	4.3	3.9	3.6	2.9	3.3
1951							3.4	3.9	2.0	3.5	3.2	3.0	2.2	2.8
1952								4.4	1.3	3.6	3.2	2.9	2.0	2.6
1953									-1.6	3.2	2.8	2.6	1.6	2.4
1954										8.1	5.1	4.0	2.4	3.2
1955											2.1	2.0	.5	2.0
1956												1.8	-2	2.0
1957													-2.3	2.0
1958														7.0

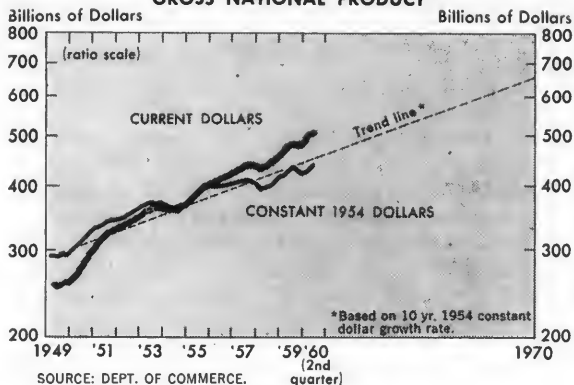
¹ Compound rates of growth.

Distribution of Total Personal Income

	(billions)			
	Personal Income	Disposable Income	Consumption Expenditures	Savings
1959	380.1	334.6	311.4	23.3
1958	359.0	316.5	293.0	23.5
1957	350.6	307.9	284.8	23.1
1956	332.9	292.9	269.9	23.0
1955	310.2	274.4	256.9	17.5
1954	289.8	256.9	238.0	18.9
1953	288.3	252.5	232.6	19.8
1952	273.1	238.7	219.8	18.9
1951	256.7	227.5	209.8	17.7
1950	228.5	207.7	195.0	12.6

SOURCE: Department of Commerce.

GROSS NATIONAL PRODUCT



SOURCE: DEPT. OF COMMERCE.

maximum sustainable growth or a high level of employment," Gov. Martin informed Senator Douglas, "but rather on the reasoned conclusion that the objective of price stability is an essential prerequisite to their achievement."

Sound Money Essential

Sound growth, then, must be based on sound money. Nor can we wisely

pursue the goal of faster growth without reference to other major national goals. As pointed out by the White House, such goals include economic freedom, economic efficiency, and economic security. Too rapid pushing up of the growth indicators may entail the too rapid displacement of machines and workers, even of firms and industries.

We want and we need all the

economic growth we can get, as fast as possible without disorganizing the economy and society in the process. With our expanding population and labor force, with the endless stream of new and better products and ways of doing things, our private enterprise system is bound to produce growth. The big unknown is: What will Washington's policies be?

HERBERT BRATTER

Gross National Product or Expenditure; Quarterly Data at Annual Rates

(billions of dollars)

Item	1929	1933	1941	1950	1955	1956	1957	1958	1959	1959 I	1959 II	1959 III	1959 IV	1960 I
Gross national product	104.4	56.0	125.8	284.6	397.5	419.2	442.8	444.2	482.1	470.4	487.9	481.4	486.4	501.3
Personal consumption expenditures	79.0	46.4	81.9	195.0	256.9	269.9	285.2	293.5	313.8	303.9	313.6	316.0	319.6	323.3
Durable goods	9.2	3.5	9.7	30.4	39.6	38.5	40.4	37.3	43.4	41.3	44.4	44.0	43.5	44.2
Nondurable goods	37.7	22.3	43.2	99.8	124.8	131.4	137.7	142.0	147.6	145.3	147.7	148.0	149.6	150.5
Services	32.1	20.7	29.0	64.9	92.5	100.0	107.1	114.2	122.8	117.4	121.4	124.1	126.6	128.6
Gross private domestic investment	16.2	1.4	18.1	50.0	63.8	67.4	66.1	56.0	72.0	70.0	78.9	67.5	70.8	79.3
New construction	8.7	1.4	6.6	24.2	34.9	35.5	36.1	35.4	40.3	39.7	41.3	41.1	39.4	40.8
Residential, nonfarm	3.6	.5	3.5	14.1	18.7	17.7	17.0	18.0	22.3					
Other	5.1	1.0	3.1	10.1	16.2	17.8	19.0	17.4	18.0					
Producers' durable equipment	5.9	1.6	6.9	18.9	23.1	27.2	28.5	23.1	25.8	23.9	26.1	26.5	26.8	27.1
Change in business inventories	1.7	-1.6	4.5	6.8	5.8	4.7	1.6	-2.5	5.9	6.3	11.5	-1	4.7	11.4
Nonfarm only	1.8	-1.4	4.0	6.0	5.5	5.1	.8	-3.6	5.4					
Net exports of goods and services	.8	.2	1.1	.6	1.1	2.9	4.9	1.2	-1.0	-9	-2.2	-.2	-.4	1.2
Exports	7.0	2.4	6.0	13.1	19.4	23.1	26.2	22.7	22.9	21.5	22.2	24.0	23.5	25.2
Imports	6.3	2.3	4.8	12.5	18.3	20.2	21.3	21.5	23.8	22.4	24.4	24.2	23.9	23.9
Government purchases of goods and services	8.5	8.0	24.8	39.0	75.6	79.0	86.5	93.5	97.1	97.4	97.7	98.1	96.4	97.5
Federal	1.3	2.0	16.9	19.3	45.3	45.7	49.7	52.6	53.3	53.8	53.7	53.6	52.5	51.8
National defense			13.8	14.3	39.1	40.4	44.4	44.8	46.0	45.9	46.4	46.1	45.5	44.9
Other		1.3	3.2	5.2	6.6	5.7	5.7	8.3	7.8					
Less: Government sales	.0	.0	.0	.1	.4	.3	.4	.5	.5					
State and local	7.2	6.0	7.8	19.7	30.3	33.2	36.8	40.8	43.9	43.6	44.0	44.5	43.9	45.7

Branch Banking

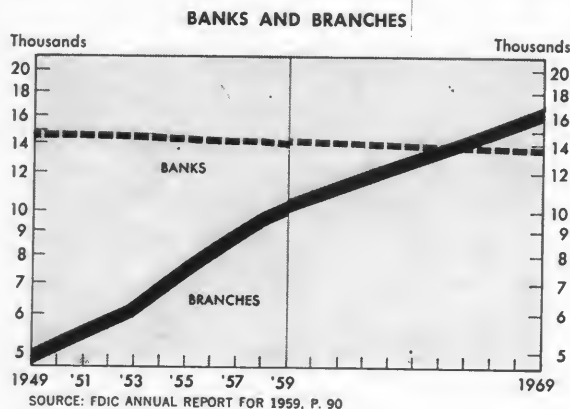
WHILE the number of banks has declined gradually during the past decade from 14,730 at the end of 1949 to 14,004 ten years later, the number of branches has climbed from 4,864 to 10,238. A glance at the chart will reveal that, should this trend continue at the same pace, by 1969 there will be about 16,000 branches for some 13,000 head offices. The statistics for the past 10 years are as follows:

Banks and Branches, 1949-1959 (in thousands)

Year	Banks	Branches	Percentage of total offices
1949	14.7	4.9	24.8
1950	14.7	5.2	26.0
1951	14.7	5.5	27.3
1952	14.6	5.8	28.5
1953	14.6	6.2	30.0
1954	14.4	6.8	31.9
1955	14.3	7.4	34.1
1956	14.2	8.1	36.3
1957	14.1	8.8	38.3
1958	14.1	9.5	40.3
1959	14.0	10.2	42.2

SOURCE: FDIC annual report for 1959, p. 90

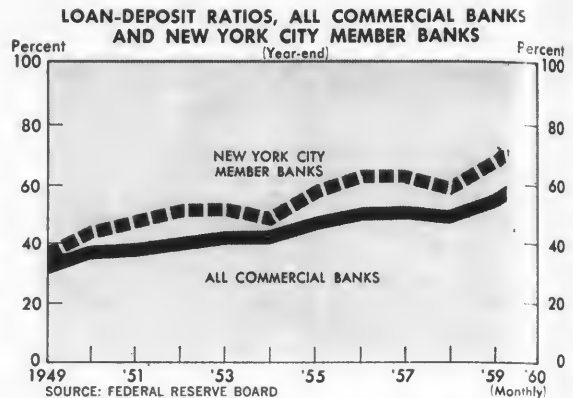
Our trend line to 1969 is based on the actual FDIC figures through 1959



Loan/Deposit Ratios

CHANGES in loan-deposit ratios among commercial banks are shown in the accompanying table and chart, separately for all commercial banks and for member banks in central reserve cities, where the ratio is customarily higher than elsewhere. Year-end figures show that in the past decade as a whole the ratio has been rising rather steadily. The rise has continued into 1960, bringing the ratio for the two groups of banks mentioned to the highest level for many years, although still below the pre-1929 level.

For New York City member banks the ratio, as calcu-



lated at the Federal Reserve Board, was 67.3 at the end of 1959 and 69.4 at the end of March 1960. For all commercial banks on the latter date the ratio was 56.5. Since these are averages, many individual banks are believed to have higher ratios and to be virtually "loaned up." Average ratios cannot climb indefinitely.

The loan-deposit ratio of all commercial banks has risen from a low of 17.4 in 1944. For New York City banks the low was recorded as 19.7 in 1942. Thirty years ago, at the end of 1929, the ratio for all commercial banks was 75.0 and for New York City banks 81.9. For country banks it was 69.7. Before World War I, for all commercial banks, a ratio in the high 70s was the rule. In 1896 the latter ratio stood at 92.3.

In peering into the next decade it would be unwise to assume that present loan-deposit ratios will climb back to the pre-1930 levels. One of the principal sources of funds raised by the banks in order to increase their loans during the past decade has been their portfolios of Government securities, which constitute secondary reserves. There is a practical limit to the reduction of these reserves.

Therefore, merely to project the past decade's trends of holdings of Government securities and of loans is likely to prove misleading as the 1960s unroll.

Loan-Deposit Ratios, 1949-1959

(Total loans—adjusted to exclude loans to banks—as percent of total deposits—adjusted to exclude cash items in process of collection)

End of December	All commercial banks	All member banks	Central reserve city		Reserve city	Country
			New York	Chicago		
1949	31.1	30.9	34.9	25.6	32.4	28.5
1950	35.8	36.1	42.5	32.3	38.1	31.5
1951	37.2	37.6	46.3	36.2	39.4	32.1
1952	39.3	39.9	50.6	38.9	41.1	33.9
1953	40.5	41.1	50.6	39.1	42.2	36.1
1954	40.3	40.7	46.8	38.3	41.9	37.1
1955	45.8	46.7	56.7	46.3	48.5	40.7
1956	48.8	50.1	61.7	52.7	52.7	42.6
1957	49.7	51.0	61.9	55.2	53.3	44.1
1958	48.4	49.4	57.7	49.4	51.3	44.4
1959	54.0	55.6	67.3	58.2	58.2	48.2
1960: Jan. 27	54.4	55.9	67.4	58.2	58.9	48.8
Feb. 24	55.6	57.1	69.4	62.7	60.4	49.4
Mar. 30	56.5	58.0	69.4	64.5	61.4	50.3

SOURCE: Federal Reserve Board.

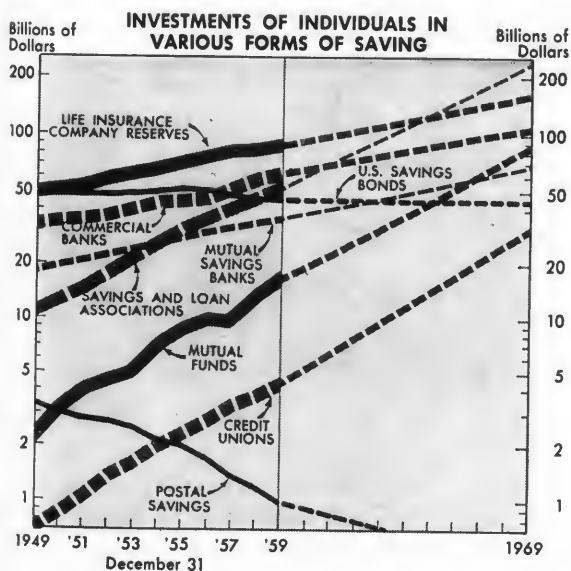
A Decade of Savings Competition

THE accompanying chart and table on investments of individuals in various forms of saving reflect both the growth of personal savings and the keen competition for their investment. During the past decade only U. S. Savings Bonds and Postal Savings, paying a low return, ended the decade at a lower level than they began it. Their decline was both absolute and relative. (See page 6, however.)

Life insurance company reserves constitute the largest repository of individuals' savings and have exhibited a steady rate of growth since 1949. They have increased about 80%. Savings and loan associations have had the most rapid rate of growth and now hold more than four times as much of the public's savings as at the end of 1949.

Savings held by commercial banks have climbed in recent years, the decade's gain being about comparable with that of life insurance reserves. Deposits of mutual savings banks also increased by about 80% in the decade. Mutual funds, as the data show, are taking a growing proportion of the savers' dollars. Credit unions, while also growing, are still a minor competitor. Postal Savings are on the way out.

During the 1960s, as the economy and the population grow, savings placed in life insurance and banks will also grow. A large part of the growth of the last decade, measured in dollars, reflects the inflation we have experienced. Inflationary pressures must continue to be reckoned with over the long run; but we cannot safely assume that the inflation of the 1960s will equal that of the last decade. The latter, apart from other aspects, still had some of the huge wartime increase in the money supply to feed upon, a result of both World War II and the Korean War. What the 1960s hold in store no one can foresee.



NOTE: With respect to Savings Bonds data, see page 6

Although most of the inflation generated by World War II was felt between the end of the war and 1949, the dollar lost about 20% of its buying power in the 1950s, measured by the consumer price index. (From December 1949 to December 1959 the C.P.I. increased about 25%.) This means that, of the 80% increase in savings in banks and life insurance, four-fifths was real, or 64%.

Thus, if during the next decade savings accounts continue to grow at the rate of the past decade and if we have no more inflation, we shall see another 64% growth; or, if inflation continues in the 1960s as it did in the 1950s, another growth of 80%. Implicit in the foregoing, moreover, is the assumption that other factors, such as competition and interest rates, will not change materially during the next decade.

Unpredictable Changes Can Affect Competition

EXPERIENCE during the Fifties has shown considerable change in the relative competitive position of various types of financial institutions and savings media; and there have been corresponding changes in the institutional holding of residential mortgage debt. Throughout the 1950s more of such debt has been held by savings and loan associations than by life insurance companies, commercial banks, or savings banks separately. As the percentage of such mortgages held by mutual savings banks has shown an increase, that held by commercial banks and life insurance companies has declined. Savings and loan mortgage holdings have climbed steadily since 1950.

If Congress should increase the tax liabilities of savings and loan associations their growth trend would be affected. Their ability to maintain dividend rates would be impeded and more individual savings would tend to go to competing media and institutions, which would thus be in a position to compete more effectively for mortgage loans. Similarly, the granting of more favorable tax treatment of real estate investment trusts would affect the competitive picture. So, also, would a relaxation of terms for conventional mortgage loans.

Also affecting mortgage lending will be any changes in Government policies and attitudes toward savings institutions, mortgage guaranties, and the like. It is possible that new types of financial institutions will appear or that pension funds will become more aggressive in this field.

The Indiana University study, assuming a GNP of \$750-billion by 1970, estimates total assets of \$829-billion for the four chief types of mortgage lending institutions, or enough to account for \$267-billion of mortgage holdings, as shown in the accompanying table.

According to the same source, life insurance companies may not increase very much the proportion of their mortgage holdings to their total investments. They will be faced with strong demands for business loans and the growth of their total assets may be less strong. Lower premium forms of insurance are increasingly popular, which means a slowing of accumulation of reserves; and increasingly beneficiaries take

Estimated 1970 Mortgage Holdings of Major Home-Financing Institutions

(in billions of dollars)

Type of institution	Residential mortgages		
	Total assets	Amount	% of total assets
Savings and loan	165.7	137.5	83.0
Life insurance	190.6	57.2	30.0
Commercial banks	414.4	37.3	9.0
Mutual savings banks	58.0	34.8	60.0

SOURCE: *The Next Decade . . .*, a preliminary report prepared for the United States Savings and Loan League by the School of Business, Indiana University, November 1, 1959, p. 24.

the proceeds of insurance rather than leave them at interest with the companies.

"What commercial banks will do about the indicated strong demand for home mortgage funds in the 1960s is difficult to estimate," the study remarks. "Many banks undoubtedly could greatly increase their savings volume and their mortgage holdings if they so desired and if laws and regulations were amended to encourage this growth. On the other hand, many banks prefer to stay out of or to minimize this side of banking. Also, there is probably a lower limit than generally realized as to how much 'money' people are willing to keep in a bank.

"Except for wars and depression, bank deposits seem more likely to grow in proportion to gross national product than at a more rapid rate. If so, banks are not likely to increase the proportion of mortgages to their total loans and investments . . .

"There is also the question . . . whether the growth in mortgage holdings estimated for life insurance companies and mutual savings banks will . . . satisfy the ambitions of the mortgage companies that originate and service mortgages for them. If inadequate, the mortgage companies may succeed in developing important new buyers such as pension funds, investment trusts, or newly chartered secondary mortgage institutions. It is the possibility of success in these directions that lies behind the suggestions that either the Federal Home Loan banks or the savings and loan business will need to develop ways of reaching these funds themselves."

Mortgage Lending

in the Sixties

IN its study, *The Next Decade . . . and Its Opportunities for the Savings and Loan Business*, financed by the United States Savings & Loan League, the Indiana University School of Business foresees continued rapid growth of savings and loan associations' total assets to \$100-billion by 1965 and \$165-billion by 1970. But even so, the university's economists state, the associations

won't dominate the home mortgage lending markets; that during the Sixties they will account for slightly more than half of the net increase in residential mortgage debt and in 1970 will still hold less than half of the total outstanding residential mortgages. These conclusions assume a large volume of home construction during the decade: \$247-billion for new dwellings and \$163-billion for alterations and repairs. They also assume a steady increase in population, employment, and output.

It is possible that during the Sixties savings and loan associations may change their basic function, but the Indiana study assumes that they will continue to emphasize home financing. The need for the latter will be substantial, considering the outlook.

Census Bureau projections of the number of households range from 51,000,000 to 51,600,000 in 1960 and 58,800,000 to 62,900,000 in 1970. This means for the Sixties new nonfarm housing starts averaging from 846,000 to 1,131,000 units, without allowing for destruction or conversion to other use, demand for second homes, increased vacancies, or other possibilities.

More significant than the population increase is the projected decline in the number of persons 30-40 years old. The working population will be much smaller than total population projections suggest. This will act as a damper on savings more than on lending. But personal income will rise as output and employment grow. Total population of working age, 15-64, the Census Bureau estimates at 108,000,000 for 1960 and 127,000,000 for 1970. Although the work-week continues to shrink, total man-hours worked will increase throughout the decade while productivity will continue to advance. The above-mentioned study assumes a GNP of about \$750-billion (1958 dollars) by 1970; personal income of \$570-billion, and average income per household of between \$9,000 and \$10,000 in 1970, as compared with \$7,123 in 1958. This betokens increased outlays for housing as the Sixties unroll. Housing expenditures as a percentage of total consumer spending have been growing. By 1970 total housing expenditures may approximate \$75-billion, with the average cost per unit rising from \$12,000 in 1958 to \$15,000 (1958 dollars) by 1970.

Residential Mortgage Debt Outstanding, 1949-1969

(in billions of dollars)

1949	44.9	1960	157.2
1950	53.6	1961	169.4
1951	61.4	1962	182.4
1952	68.9	1963	196.0
1953	77.1	1964	210.2
1954	87.3	1965	225.1
1955	100.6	1966	240.6
1956	112.1	1967	256.8
1957	121.7	1968	273.8
1958	134.0	1969	291.5
1959	145.3		

SOURCE: *The Next Decade . . .*, a preliminary report prepared for the United States Savings and Loan League by the School of Business, Indiana University, November 1, 1959, p. 20.

Capital Ratios

The Fifties witnessed a slow but distinct improvement of capital ratios. For all operating banks, the ratio of total capital accounts to total assets increased from 7.3% in 1949 to 8.1% in 1959. The annual changes as computed by FDIC follow:

1949	7.3%	1955	7.5%
1950	7.2	1956	7.7
1951	7.2	1957	7.9
1952	7.2	1958	7.9
1953	7.3	1959	8.1
1954	7.5		

Bank capital is increased by sale of new stock and by transfers of earnings to surplus, undivided profits, and reserves. Since capital accounts and total assets change at independent rates, the ratio of the one to the other may improve due to a failure of total assets to keep pace with accretions in the capital account. This is just what happened in the Fifties. Federal Reserve policies restrained the growth of credit and, hence, the growth of bank assets. Meanwhile, banks in general sold U. S. securities and increased their loans, to the benefit of earnings; and this made it possible to increase capital accounts both in dollars and in relation to total assets. In the process, bank liquidity tended to be reduced by the substitution of riskier loans for less risky U. S. securities.

In relation to deposit liabilities, capital accounts during the Fifties improved markedly, in contrast to the trend of earlier years. But in relation to loans, capital

accounts of commercial banks declined during the decade, from about 25% to less than 18%.

The principal component of commercial banks' capital accounts is surplus, followed by common stock and undivided profits and reserves. Banks find it advantageous to keep substantial reserves in surplus and reserves. If banks' capital funds consisted exclusively of stock, any losses which had to be charged against such stock would constitute impairment of capital in the eyes of supervisory authorities. This is not the case when in a loss year the net losses have to be charged against surplus or reserves.

Net changes in the items mentioned above during the 1950s are reflected in the following figures:

Capital Accounts of All Operating Commercial Banks Compared with Deposits and Loans, 1949 and 1959

(in billions of dollars)

ITEM	1949	Capital ratio	1959	Capital ratio
Capital accounts:				
Preferred stock	.1		.1	
Common stock	3.4		5.9	
Surplus	4.9		9.4	
Undivided profits and reserves	2.6		4.2	
Total capital accounts	11.0		19.6	
Total deposits	146.0	7.5%	220.5	8.9%
Total loans and dis- counts, net	43.3	25.4%	111.3	17.6%

Source: FDIC annual reports; 1949, Table 105; 1959, Table 108

The utility of capital ratios such as those mentioned

Insured Deposits and FDIC Deposit Insurance Fund, 1949-1959, With estimates for 1966-1969

(dollar amounts in billions)

Year	Deposits in insured banks		Percent of deposits insured	Deposit insurance fund	Ratio of deposit insurance fund to:	
	Total	Insured			Total deposits	Insured deposits
1949	157	77	48.8%	1.2	.77%	1.57%
1950	168	91	54.4	1.2	.74	1.36
1951	179	97	54.2	1.3	.72	1.33
1952	188	102	54.1	1.4	.72	1.34
1953	193	106	54.6	1.5	.75	1.37
1954	203	111	54.6	1.5	.76	1.39
1955	212	116	54.8	1.6	.77	1.41
1956	219	121	55.2	1.7	.79	1.44
1957	226	127	56.3	1.9	.82	1.46
1958	242	138	56.8	2.0	.81	1.43
1959	248	142	57.4	2.1	.84	1.47
1966	309	—	—	3.0	.98	—
1967	321	—	—	3.2	.99	—
1968	334	—	—	3.3	1.00	—
1969	347	—	—	3.5	1.01	—

Source: FDIC annual report for 1959, p. 16; 1966-1969 from FDIC. The FDIC estimates for total deposits 1966-1969, made in 1960, differ from those contained in FDIC's 1957 annual report, quoted elsewhere in this issue of BANKING.

The estimates of deposit insurance fund and ratio to total deposits, 1966-1969, are after giving effect to the assessment changes enacted in 1960.

above in judging the soundness of the banking system is open to question. For bank examination purposes the Federal Reserve Board uses a complex and far more sophisticated formula in appraising the adequacy of a bank's capital. Some authorities would regard the ratio of risk assets to total assets as a more satisfactory one than any of the capital ratios mentioned, since it gets at the quality of a bank's assets. On the other hand, losses in banking may be related as much to liquidity as to the quality of the assets.

Government Securities and Bank Reserves

COMMERCIAL banks' holdings of securities of all kinds increased slightly over the past decade, but holdings of U. S. Governments declined by about one-seventh. They still amounted to about a fourth of total assets, however.

It would be unrealistic to assume that banks will continue to liquidate their portfolios of Treasuries at the same rate as heretofore. Treasury notes, certificates, and particularly bills constitute the banks' secondary reserves. Many banks today feel that they are "loaned up" and would gladly sell more Treasuries to raise funds for making loans, but for the need to retain secondary reserves. Other banks, not already loaned up, are fast approaching that stage. The exact point at which a bank must stop reducing its portfolio cannot be pinpointed. It varies from bank to bank and from time to time. Competition has an effect on any given bank. In general the loan ratio tends to climb, although lately it has been increasing at a diminishing pace.

Many banks today have only enough Treasury securities for pledge purposes—as security for U. S. deposits,

For further data on the money supply and "near-money," see page 40.

trusts, and the like. A large number of banks have pledged more than half of their Treasury securities. Also, municipal securities are pledged against deposits of municipal governments. As deposits grow in coming years, the need for primary and secondary reserves will grow. To buy more Governments and to make more loans, banks will need more reserves. These will depend upon Federal Reserve policies in the years ahead, given present liquidity standards and present reserve requirements.

Gold Stocks and the Money Supply

IN 1949 the U. S. stock of gold stood (December 31) at the high figure of \$24.4-billion. The stock declined slowly during the early 1950s, and markedly starting in 1958, by the end of 1959 reaching \$19.5-billion. During the same decade the money supply, including demand deposits adjusted and currency outside banks, increased year by year from \$108-billion at the end of 1949 to about \$140-billion 10 years later.

During the first years of the Fifties total reserves of member banks rose to a year-end peak in 1952, subsequently receding. While, according to year-end figures, member banks had excess reserves each year since 1949, their borrowings from the Fed reduced free reserves to a negative quantity in six of the past 10 years, as shown in the table. All figures are in billions of dollars.

Gold Stocks and the Money Supply

Federal Reserve member banks

Year ended Dec. 31	Gold stock	Demand deposits adjusted & currency outside banks	Federal Reserve member banks				
			Total reserves held	Required reserves	Excess reserves	Borrowings at FR banks	Free reserves
1949	24.4	108.4	16.3	15.5	0.8	0.1	0.7
1950	22.7	114.6	17.4	16.4	1.0	.1	.9
1951	22.7	120.2	20.3	19.5	.8	.7	.2
1952	23.2	124.1	21.2	20.5	.7	1.6	-.9
1953	22.0	126.6	19.9	19.2	.7	.4	.3
1954	21.7	130.0	19.3	18.6	.7	.2	.5
1955	21.7	133.5	19.2	18.6	.6	.8	-.2
1956	21.9	134.5	19.5	18.9	.7	.7	(^a)
1957	22.8	133.6	19.4	18.8	.6	.7	-.1
1958	20.5	138.8	18.9	18.4	.5	.6	(^b)
1959	19.5	140.0	18.5	18.5	.5	.9	-.4
1960 (June)	19.3	139.8 ^p *	18.3 ^p	17.8 ^p	.5 ^p	.4	(^c)

* = January. ^p = preliminary. ^a = -\$36,000,000. ^b = -\$41,000,000. ^c = \$33,000,000.

SOURCE: *Federal Reserve Bulletin*, Feb. 1960, p. 134; July 1960, pp. 754 & 824.

The Banking Picture

Charts and Tables Showing the Principal Details in the Balance Sheet of the American Banking System

Trends in Individual Savings: Amount Outstanding

(in millions)

	1959				1960 ^P
	Mar. 31	June 30	Sept. 30	Dec. 31 ^P	Mar. 31
Savings accounts:					
Savings & loan assns.	\$ 49,347	\$ 51,461	\$ 52,489	\$ 54,548	\$ 56,019
Mutual savings banks ¹	34,248	34,560	34,800	34,934 ^r	35,245
Commercial banks ²	61,100	62,000	62,520	62,949 ^r	63,100
Postal savings	1,169	1,125	1,068	1,016	959
Credit unions	3,900	4,080	4,265	4,455	4,500
Savings bonds—					
U. S. Gov't	47,500	47,037	46,500	45,900 ^r	45,700
Reserves of life ins. cos.	87,700	88,700	89,800	91,705 ^r	92,700
Total	\$284,964	\$288,963	\$291,442	\$295,507	\$298,223

¹ For dates other than those of FDIC call reports, figures are FHLBB estimates based on data reported by National Association of Mutual Savings Banks and Federal Deposit Insurance Corporation.

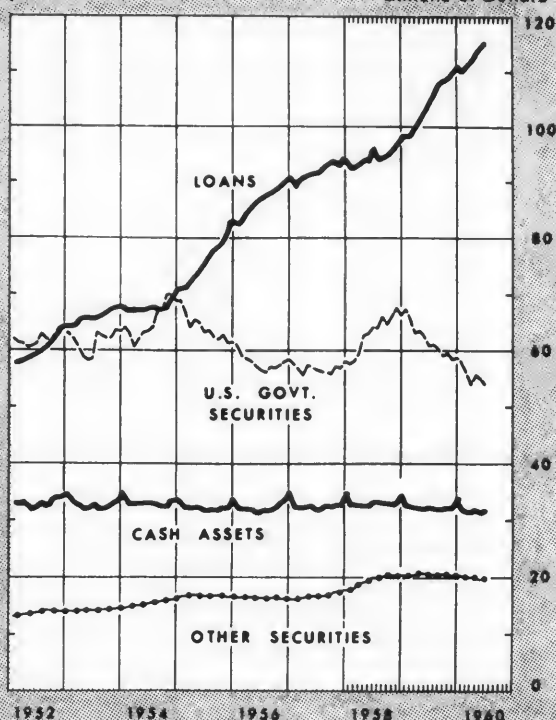
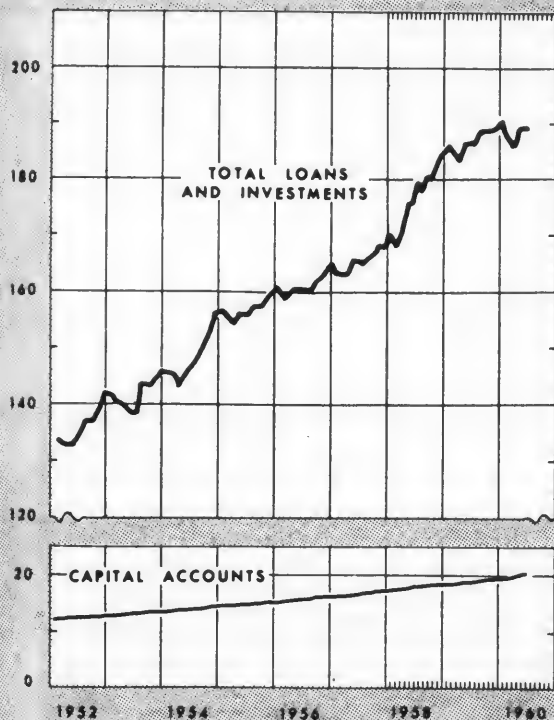
² For dates other than those of FDIC call reports, figures are FHLBB estimates based on data reported by Federal Reserve Board and Federal Deposit Insurance Corporation.
^P—preliminary. ^r—revised.

PRINCIPAL ASSETS AND CAPITAL ACCOUNTS OF ALL COMMERCIAL BANKS In the United States

Billions of Dollars

Last Wednesday of month

Billions of Dollars



SOURCE: Board of Governors of the Federal Reserve System

No Downward Spiral

... UNDERLYING conditions do not indicate that business is falling into a period of real deterioration or downward spiral. Disappointment this year is due more to the phasing of the inventory oscillations which started in the first quarter of 1959. There is no stimulus in sight to overcome this phase at present, or even to assure a very marked upturn in the fall, by which time the present period of expansion will be two and one half years old and getting perhaps a little tired . . . in a relative sense the outlook for the fall is stronger than it would have been if the \$10-billion rate of inventory accumulation had lasted through the second quarter, which it plainly has not.—*Monthly Letter*, First National City Bank of New York

Changes in Loans and Investments of Reporting Federal Reserve Member Banks in Leading Cities

Change from July 1, 1959, to June 29, 1960

(in millions)

	Dollars	Percent
Total loans and investments	- 277	- 0.26
Loans and investments adjusted*	- 52	- 0.05
Loans adjusted*	+5,340	+ 8.43
Commercial and industrial	+3,163	+11.11
Real estate loans	+ 345	+ 2.83
Agricultural loans	+ 69	+ 7.81
Loans for purchasing and carrying securities	- 665	-18.49
Loans to nonbank financial institutions	+ 898	+16.96
Loans to domestic banks	- 255	-14.81
Loans to foreign banks	+ 144	+24.16
Other loans (mostly consumer)	+1,504	+11.03
U. S. Government securities	-4,621	-15.41
Other securities	- 771	- 7.60

*Exclusive of loans to domestic commercial banks and after deduction of valuation reserves; individual loans items are shown gross.

SOURCE: Board of Governors of the Federal Reserve System.

Commercial Bank Holdings of Mortgages

Type of Mortgage	1951	1959
Government endorsed mortgages	43.0%	33.0%
Conventional residential	33.5	39.5
Farm	6.8	5.6
Other nonfarm	16.7	21.9

SOURCE: *The Mortgage Bulletin*, A.B.A.

Number of Savings, Share Accounts, and Investments in Selected Media,

December 31, 1940-1959

(in thousands)

Insured Commercial Banks	Mutual Savings Banks	Savings and Loan Associations	Credit Unions	Mutual Funds
36,300	15,624	6,758	2,827	296
37,300	15,739	6,978	3,304	293
38,200	15,294	6,923	3,145	313
39,100	15,712	7,136	3,024	341
40,100	16,321	7,480	2,934	422
41,000	16,903	8,027	2,843	498
41,900	17,761	8,815	3,020	580
42,800	18,349	9,523	3,340	673
43,700	18,847	8,850	3,749	722
44,600	19,182	9,885	4,091	842
45,600	19,264	10,336	4,609	939
46,600	19,406	11,585	5,197	1,110
48,150	19,881	12,926	5,888	1,359
49,700	20,218	14,384	6,635	1,537
51,250	20,565	15,787	7,370	1,704
52,800	21,001	17,650	8,154	2,085
53,800	21,382	19,758	9,051	2,775
55,800	21,713	21,800	9,862	3,110
59,200	22,275	23,916	10,539	3,641
61,200	22,340	26,400	11,300	4,600

SOURCES: American Bankers Association estimates for end of third quarter, based on Federal Deposit Insurance Corporation branch marks; National Association of Mutual Savings Banks; United States Savings and Loan League 1940-1949, Federal Home Loan Bank Board estimates 1950 to date; Bureau of Federal Credit Unions; National Association of Investment Companies.

Prime Loan Rates, Major Money Markets

	June 1957	July 1960
Japan	9%	9%
Germany	9	8-8½
France	7	7¼
Italy	7½	6½-7½
United Kingdom	5¼-5½	6½
Sweden	6½-7	6-6½
Canada	5½	5¾
Belgium	5-5½	5¼-6¾
United States	4	5
Netherlands	5½	4½-5½
Switzerland	4½	4½-5

SOURCE: First National City Bank's *Monthly Letter*.

Shareowner Census

	1956	1959
Number of individual shareowners	8,630,000	12,490,000
Shareowner incidence to adult population	1 to 12	1 to 8
Median household income	\$6,200	\$7,000
Number of adult female shareowners*	4,260,000	6,347,000
Number of adult male shareowners	4,020,000	5,740,000
Median age	48	49

*403,000 not classified in 1959; 350,000 in 1956.
SOURCE: New York Stock Exchange.

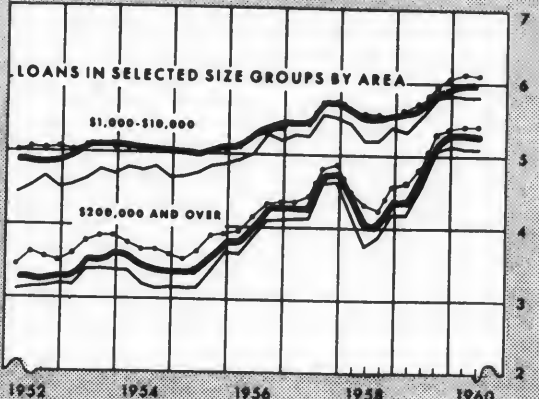
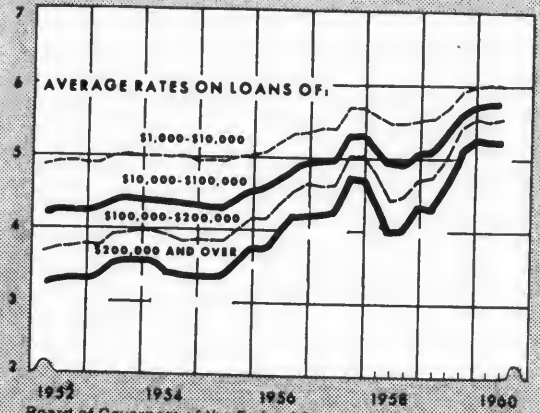
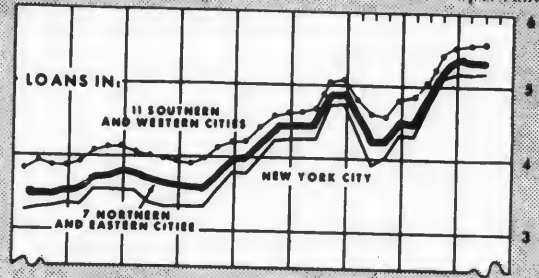
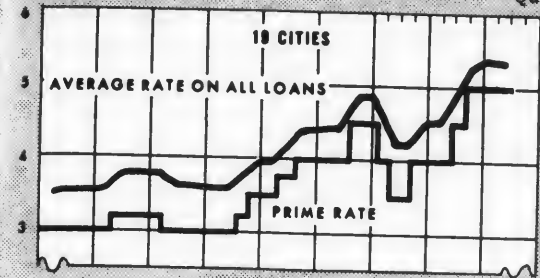
RATES CHARGED BY BANKS ON SHORT-TERM LOANS TO BUSINESS

Per Cent per Annum

Averages by Size of Loan and Area

Quarterly

Per Cent per Annum

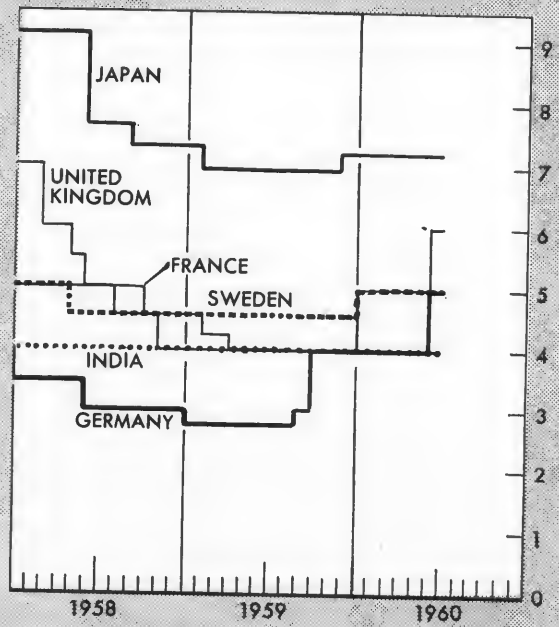
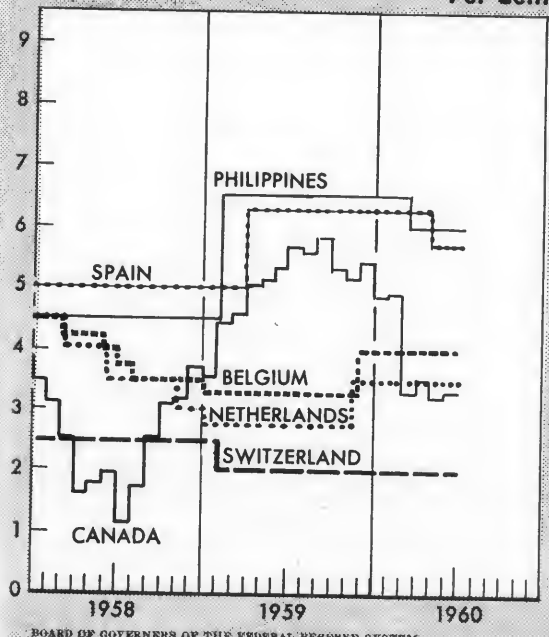


Board of Governors of the Federal Reserve System

Ed NOTE: Prime rate in larger cities eased a half percent as this issue goes to press.

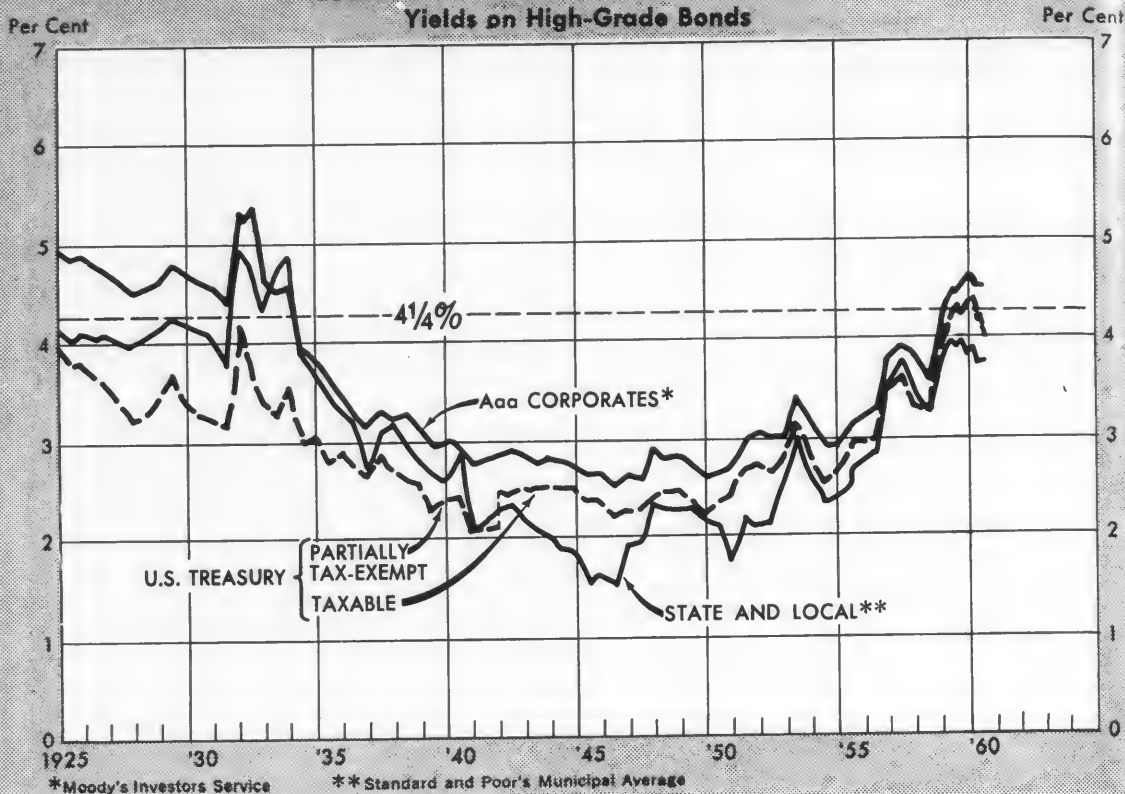
CENTRAL BANK RATES FOR DISCOUNTS AND ADVANCES TO COMMERCIAL BANKS

Per Cent Per Annum

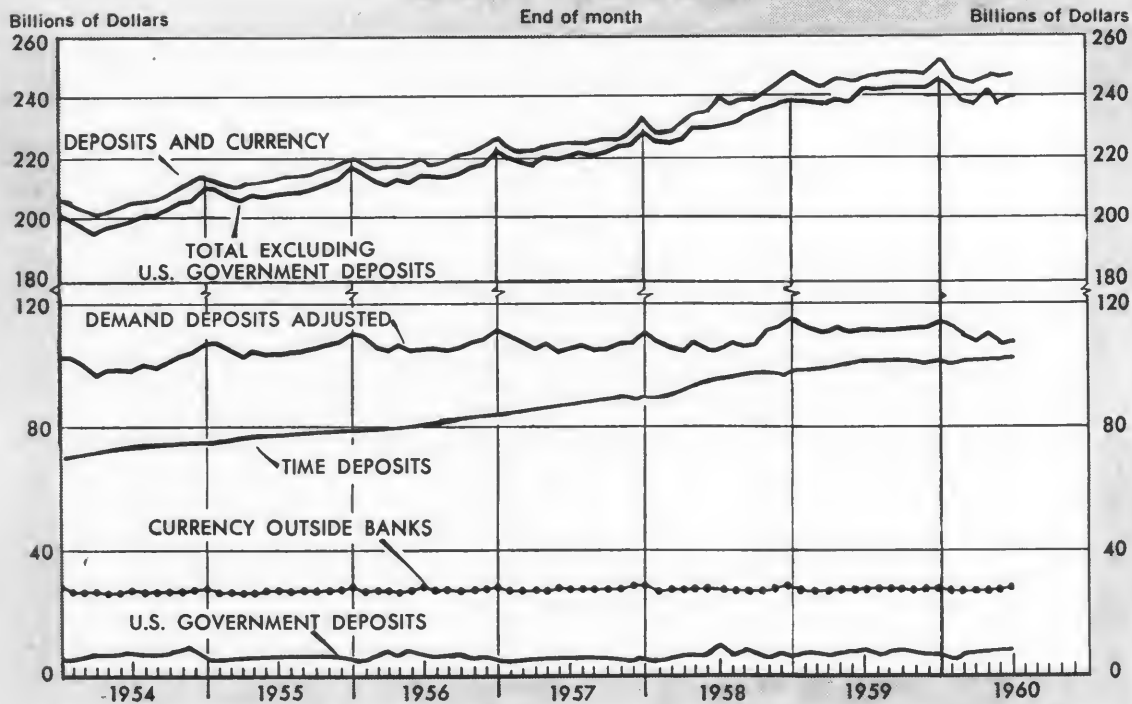


BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

LONG-TERM INTEREST RATES SINCE 1925 Yields on High-Grade Bonds

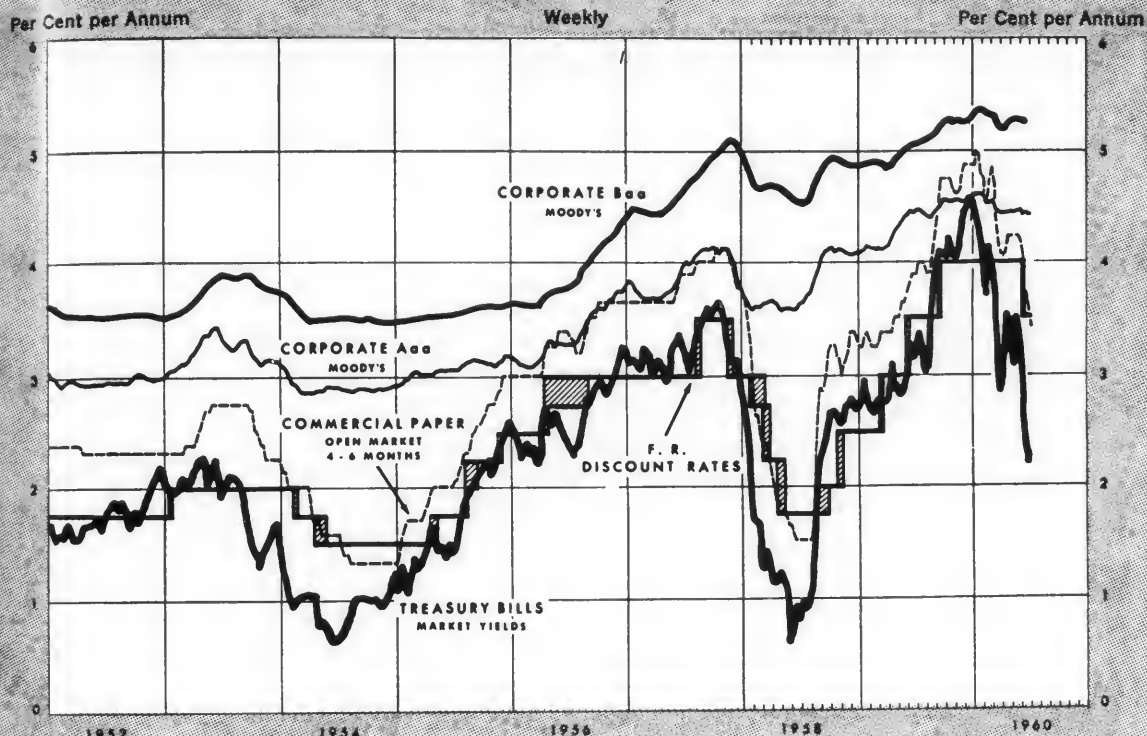


CURRENCY AND DEPOSITS



Source: Board of Governors of the Federal Reserve System

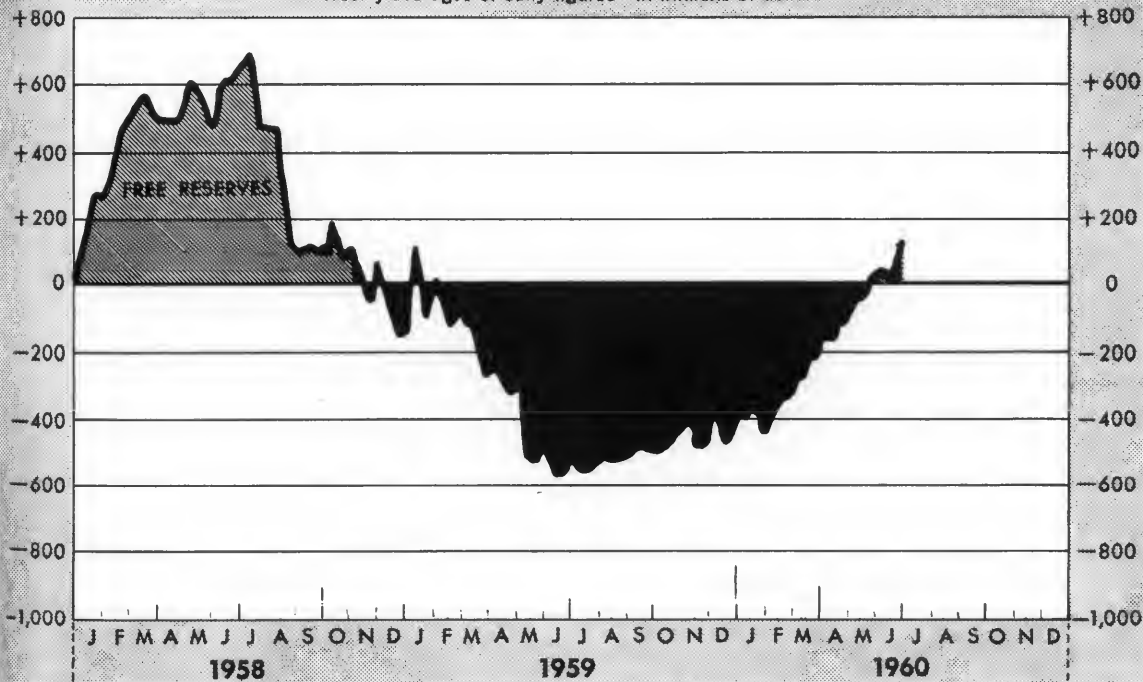
MONEY RATES



SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

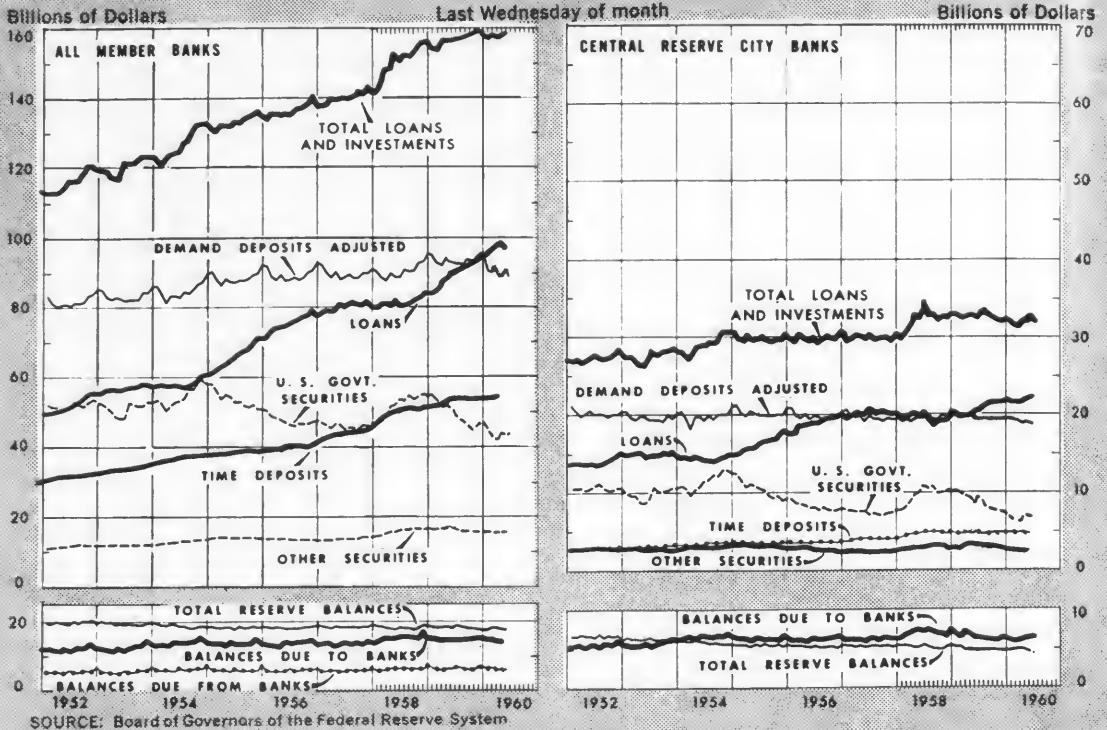
MEMBER BANK EXCESS RESERVES MINUS BORROWINGS

Weekly averages of daily figures in millions of dollars

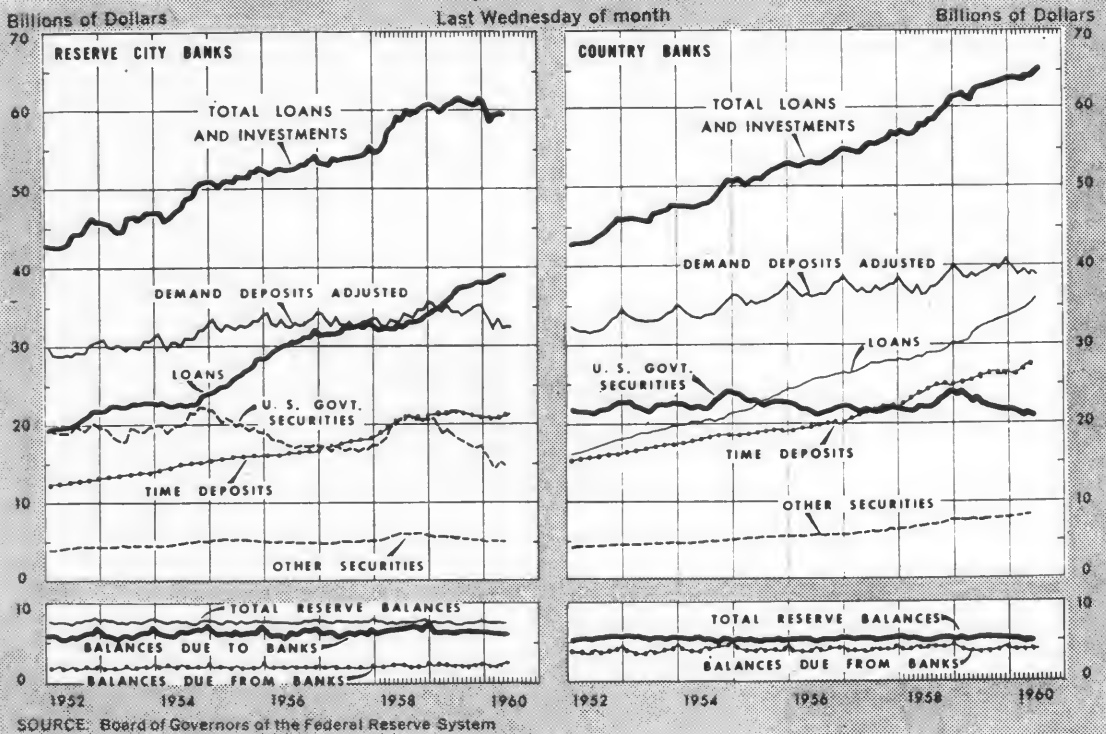


SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

CONDITION OF MEMBER BANKS By Class of Bank

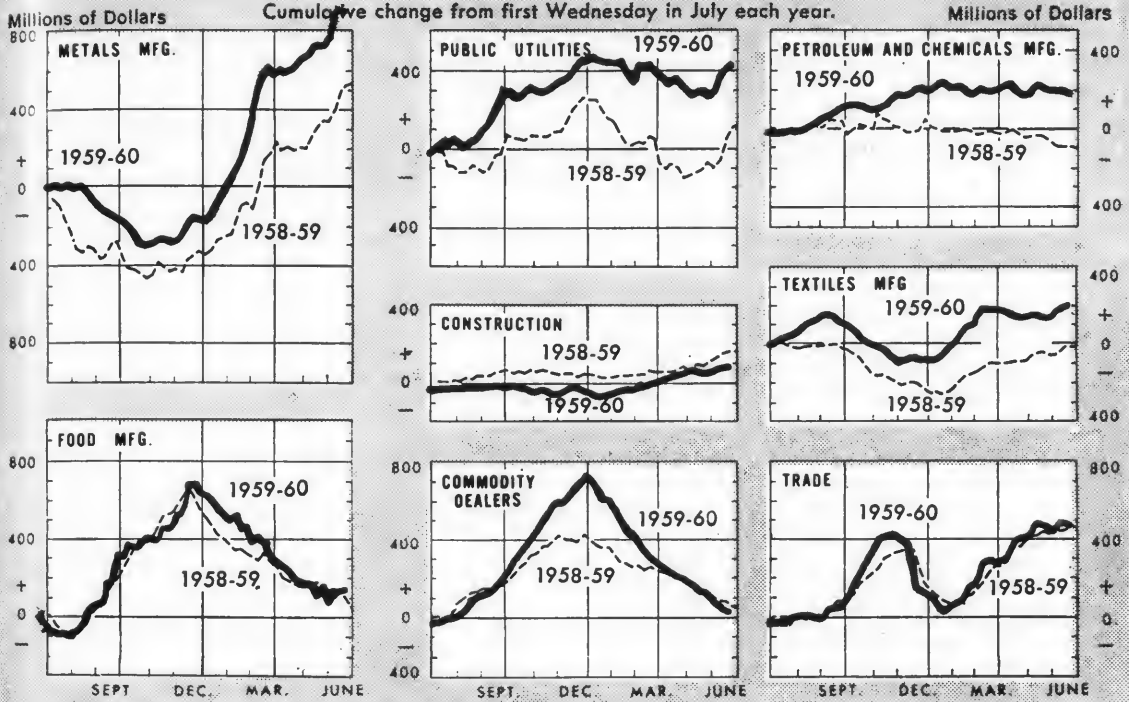


CONDITION OF MEMBER BANKS By Class of Bank



MEMBER BANKS IN LEADING CITIES Commercial Loans - Selected Industries

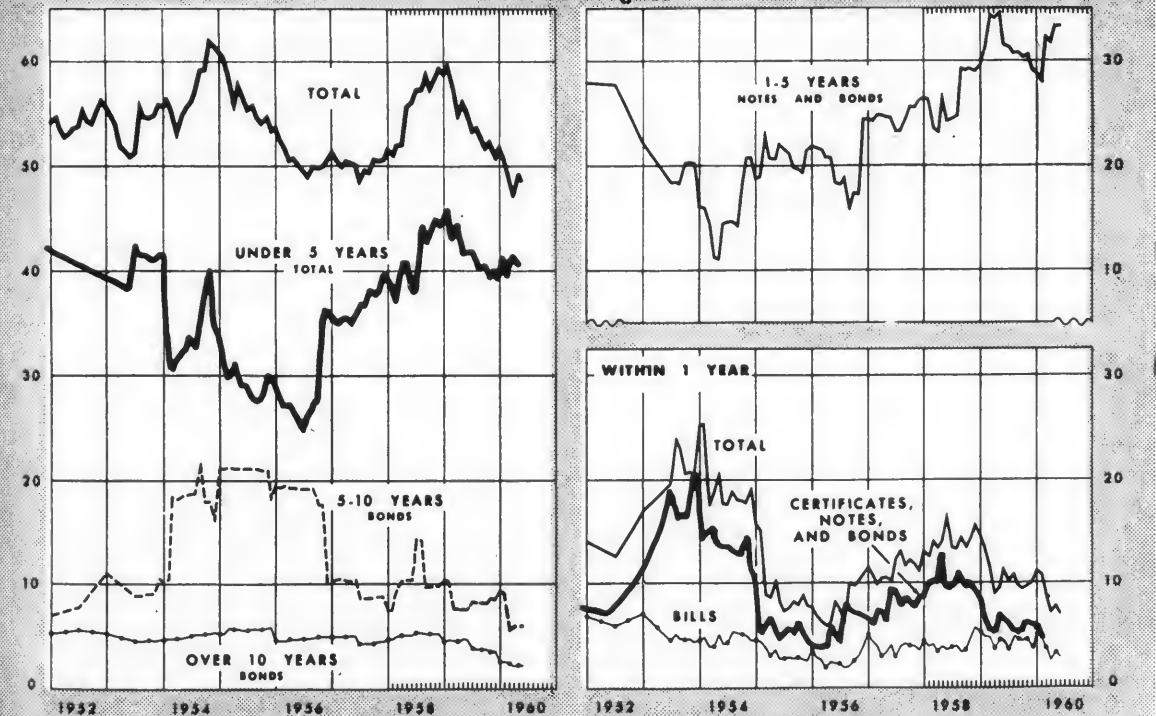
Cumulative change from first Wednesday in July each year.



SOURCE: Board of Governors of the Federal Reserve System

CLASSIFICATION OF BANK HOLDINGS OF U.S. GOVERNMENT MARKETABLE SECURITIES Commercial Banks Reporting in Treasury Survey

End of month figures



Board of Governors of the Federal Reserve System

More Opinions on the Months Ahead

(See also page 49)

SHOULD new orders fail to rise in the next month or two, capital spending plans for 1961 and beyond would be trimmed. If so, capital spending could begin to taper off in 1961. But as of mid-summer, expectational evidence still points in the direction of high-level economic activity throughout 1960.—MARTIN R. GAINSBROUGH, chief economist of the National Industrial Conference Board

★ ★

. . . THE retail food industry, as the largest consumer goods industry in America, should again be a stabilizing element in the economy in the final six months of 1960.—FRANKLIN J. LUNDING, chairman, Jewel Tea Company, Inc.

★ ★

ACCORDING to Andre de Seleny, of Cooley & Co., Hartford, "this will be a . . . selective market [stock] in which only the strong will survive; yet profit potentials will remain plentiful."—*The Wall Street Journal*

★ ★

WE believe steel consumption will increase as the year progresses, and, with inventories at desired levels, we expect steel production to rise by late summer and to reflect satisfactory, but surely not peak, rates throughout the latter months of the year. While I have lowered my sights for 1960, I still expect it will be one of the industry's best production years.—JOSEPH L. BLOCK, chairman, Inland Steel Company

★ ★

THE over-all demand for commercial and industrial loans at leading banks in the second half of 1960 will be "about the same" as in the like period of 1959. . . . Apparently, most bankers look for considerable strength in retail sales in coming months.—Survey of 106 bankers by *Bankers Monthly*

★ ★

THERE are those who feel that political pressures in this, a national election year, may force a return to

easier money and lower interest rates. Though such pressures may be exerted, the records of long-term tax exempts in the September-October months of the last four election years do not indicate any unusual price movements in those periods. . . . Under the circumstances, and as we see it, the tax-exempt market in the coming months can be expected to be hesitant and perhaps even more sensitive than is customary to the many influences which affect it.—*Mid-Year Survey of the Tax-Exempt Market*, Halsey, Stuart & Company

★ ★

THERE is a good deal of talk in many circles that we may be slipping into a recession. My own view is that we are not, that there will be an expansion of business in the last half of this year. . . . I don't see a depression or recession before next year.—NEIL H. JACOBY, dean of the Graduate School of Business, University of California

★ ★

OUR estimates for the last six months of 1960 compared with the last six months of 1959 are as follows:

Residential building will be off 15%.

Commercial building will be up 5%.

Industrial building will be up 20%.

Institutional building will be unchanged.

Repairs and maintenance will be up 8%.

Public construction will be down 8%.—JAMES C. DOWNS, JR., chairman, Real Estate Corporation, Chicago

★ ★

. . . WE can see some possibility that in the August to October period the Treasury will again try one of its leapfrog operations (forward financing).—*Finance*

★ ★

MY view is that, in the absence of drastic changes in public and private economic policies, the virtual stagnation now in process will continue until it is followed by the onset of another recession late in 1960 or, more likely, sometime in 1961.—LEON H. KEYSERLING, former vice-chairman, President's Council of Economic Advisers

Economic Profile

The following pages, dealing with the American economy as a whole, will be found useful for reference as future issues of **BANKING** are read.

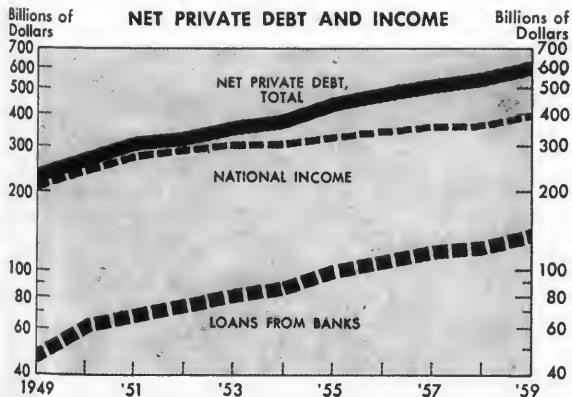
Debt and Income Trends

NET private debt increased from \$211.7-billion in 1949 to \$547.5-billion in 1959. Net corporate debt alone increased from \$118-billion to almost \$282-billion. The breakdown of net private debt at the end of 1959, according to the Commerce Department, was as follows:

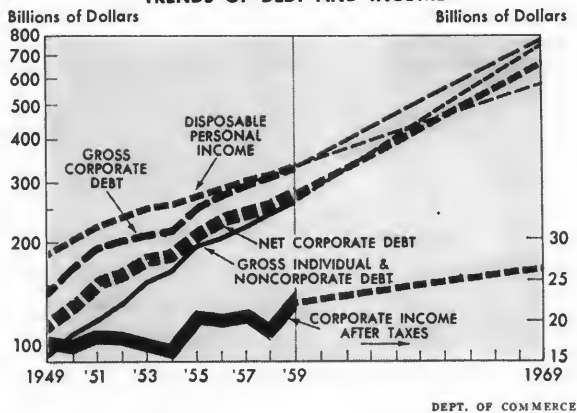
	(billions)
Corporate	\$281.7
Farm:	
Production	11.4
Mortgage	12.4
Nonfarm mortgage	160.8
Other nonfarm:	
Commercial	15.8
Financial	13.4
Consumer	52.0
Total private debt	\$547.5

Corporate debt is many times the size of corporate annual income after taxes. Since 1949 it has grown greatly, both on a gross and net basis. While in 1959 corporate profits after taxes were about 31% greater than in 1949, corporate net debt was almost 139% greater than in 1949, a sizable increase in the debt burden of corporations. During the past decade:

Bank loans increased	174%
National income increased	84%
Debts of individuals increased	164%
Net corporate debt increased	139%
Total net private debt increased	159%



TRENDS OF DEBT AND INCOME



DEPT. OF COMMERCE

Indebtedness to banks, not counting corporation securities acquired by banks, increased more than total net private debt.

Increased debt relative to income is regarded by some economists as a weakening of our financial structure and a drag on future growth. To the extent that the increased debt leads to increased productivity and income-earning power, however, it tends to make for greater economic strength. Good business leads to increased debt. Growth of the economy also makes for increased debt. Past statistics are not necessarily a guide to the future and it is not possible to forecast what the debt figures of the next decade will show. But there is no good reason to suppose that they will not be larger than now.

Net private debt of all kinds increased during the decade from \$211.7-billion to \$547.5-billion, an increase of \$335.8-billion. Bank loans accounted for \$86.3-billion of the change, or nearly a fourth of the increase.

The changes in bank loans, net private debt, and national income are reflected in the accompanying chart of net private debt and income, 1949-1959.

Population Trends

ACCORDING to Census Bureau projections, the population of the United States should be about 211,000,000 by 1970, as compared with a preliminary 1960 total of 178,000,000.* The 1960 Census shows considerable change in urban and standard metropolitan area populations during the past decade. Some of our larger cities

have recorded population declines, while their respective metropolitan areas have grown. In many other cities whose population increased during the Fifties, that of the corresponding metropolitan area grew much more. Since 1950 nearly two-thirds of the total population increase of the U. S. has occurred in the parts of standard metropolitan areas outside the central cities.

The outlying parts of the metropolitan areas in 1950 contained less than one-fourth of total U. S. population. In 10 years the number of people living in those outlying parts increased from 36,000,000 to 53,000,000, which anyone can appreciate by driving through the new residential suburbs of our cities. Of the 189 standard metropolitan areas, 180 gained population during the

Fifties; nine lost. Taking all metropolitan areas together, the combined population of the central cities grew by 8.2%, while population of the outlying parts of metropolitan areas grew by 47.2%.

Four of the five cities of 1,000,000 or more population lost population during the decade: New York, Chicago, Philadelphia, and Detroit. Los Angeles gained.

Some statistics on the move to the suburbs in the Fifties are given in the accompanying list. (See also the articles by Carl H. Madden in *BANKING* for June, July, August, and page 78 of this issue.)

*The latter figure is without counting troops overseas, etc. The Census Bureau in 1953 projected 1960 population on four different assumptions as to fertility. The average of the four projections for 1960 was 180,000,000.

The 50 Largest U. S. Cities

ON basis of preliminary field counts of the 1960 Census of Population, the Bureau of the Census, U. S. Department of Commerce, has listed, by population size, the nation's 50 largest cities. The combined population of these 50 cities is about 39,000,000.

The five largest cities, in order of population size, are New York, Chicago, Los Angeles, Philadelphia, and Detroit. The combined population of these five cities exceeds 17,000,000. Thus nearly one in 10 of all U. S. residents lives in these five cities.

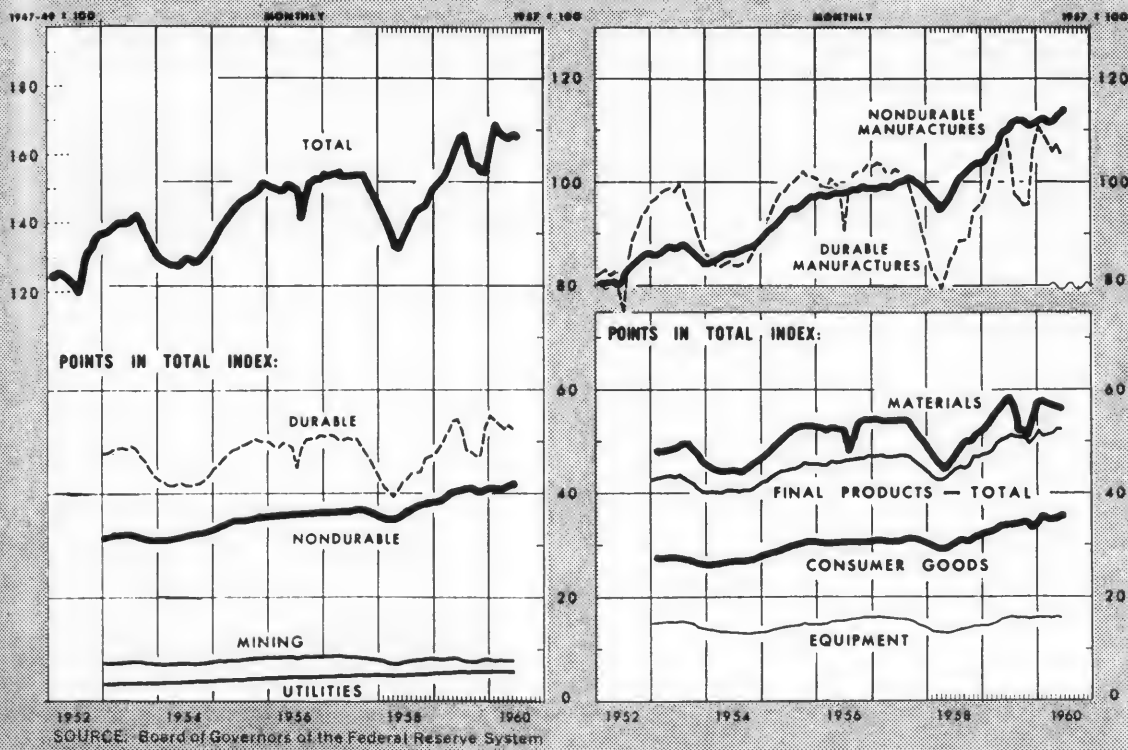
The following table presents the 1960 population and rank of the 50 largest cities compared with their 1950 population and rank:

City	1960 Population		1950 Population		City	1960 Population		1950 Population	
	(Rank)	(Total)	(Rank)	(Total)		(Rank)	(Total)	(Rank)	(Total)
New York, N. Y.	1	7,710,346	1	7,891,957	Kansas City, Mo.	27	468,325	20	456,622
Chicago, Ill.	2	3,492,945	2	3,620,962	Columbus, Ohio	28	465,151	28	375,901
Los Angeles, Calif.	3	2,448,018	4	1,970,358	Phoenix, Ariz.	29	430,459	98	106,818
Philadelphia, Pa.	4	1,959,966	3	2,071,605	Newark, N. J.	30	396,252	21	438,776
Detroit, Mich.	5	1,672,574	5	1,849,568	Louisville, Ky.	31	385,688	30	369,129
Houston, Texas	6	932,680	14	596,163	Portland, Ore.	32	370,339	29	373,628
Baltimore, Md.	7	921,363	6	949,708	Oakland, Calif.	33	361,082	27	384,575
Cleveland, Ohio	8	869,867	7	914,808	Fort Worth, Texas	34	353,388	38	278,778
Washington, D. C.	9	746,958	9	802,178	Birmingham, Ala.	35	338,569	34	326,037
St. Louis, Mo.	10	740,424	8	856,796	Long Beach, Calif.	36	323,996	41	250,767
Milwaukee, Wisc.	11	734,788	13	637,392	Oklahoma City, Okla.	37	317,542	45	243,504
San Francisco, Calif.	12	715,609	11	775,357	Rochester, N. Y.	38	316,074	32	332,488
Boston, Mass.	13	677,626	10	801,444	Toledo, Ohio	39	315,643	36	303,616
Dallas, Texas	14	672,117	22	434,462	St. Paul, Minn.	40	313,209	35	311,349
New Orleans, La.	15	620,979	16	570,445	Omaha, Neb.	41	300,674	40	251,117
Pittsburgh, Pa.	16	600,684	12	676,806	Honolulu, Hawaii	42	289,864	*	248,034
San Antonio, Texas	17	584,471	25	408,442	Akron, Ohio	43	287,592	39	274,605
Seattle, Wash.	18	550,525	19	467,591	Miami, Fla.	44	282,600	42	249,276
San Diego, Calif.	19	547,294	31	334,387	Norfolk, Va.	45	272,908	48	213,513
Buffalo, New York	20	528,387	15	580,132	El Paso, Texas	46	272,239	75	130,485
Memphis, Tenn.	21	491,691	26	396,000	Tampa, Fla.	47	270,610	84	124,681
Denver, Colo.	22	489,217	24	415,786	Jersey City, N. J.	48	269,621	37	299,017
Cincinnati, Ohio	23	487,462	18	503,998	Tulsa, Okla.	49	258,563	51	182,740
Atlanta, Ga.	24	485,425	33	331,314	Dayton, Ohio	50	258,196	44	243,872
Minneapolis, Minn.	25	481,026	17	521,718					
Indianapolis, Ind.	26	470,464	23	427,173					

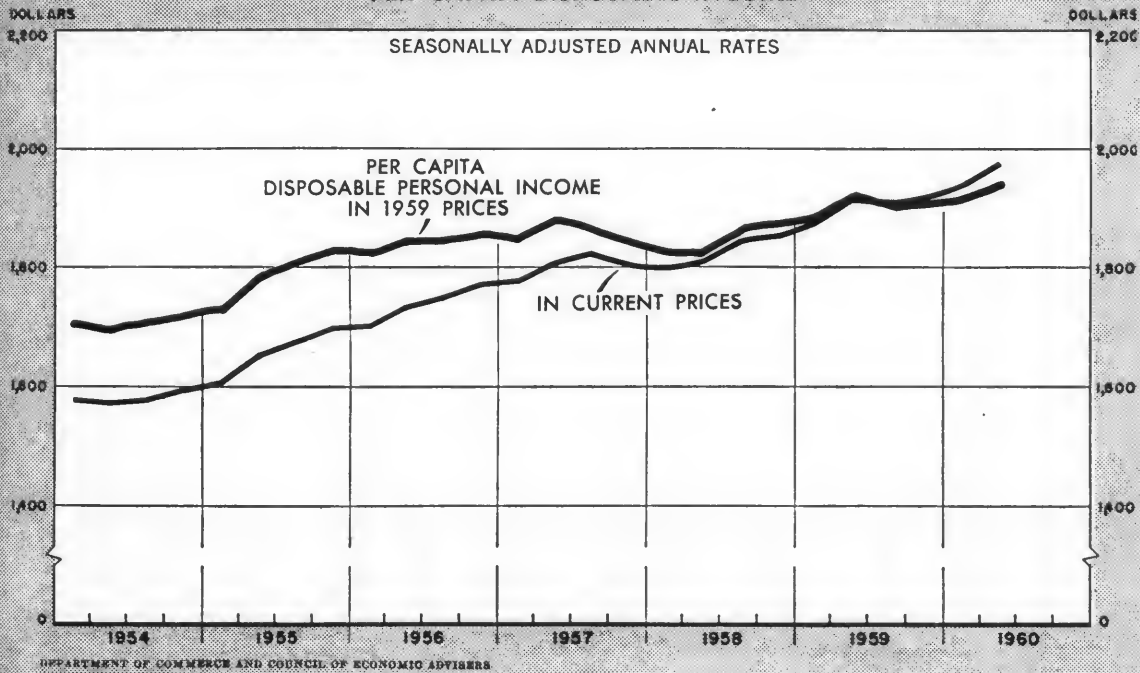
* Not ranked as part of U. S. State cities in 1950.

INDUSTRIAL PRODUCTION

F.R. Indexes, Adjusted for Seasonal Variation



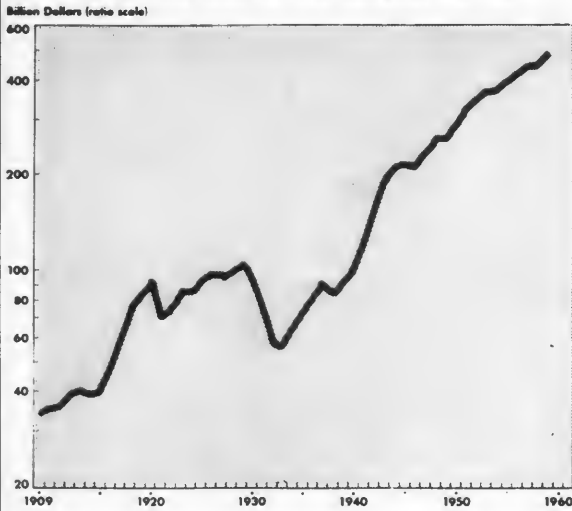
PER CAPITA DISPOSABLE INCOME



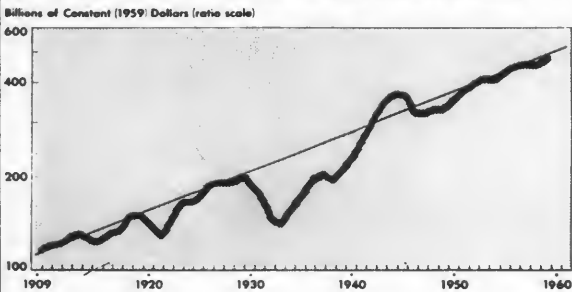
PROGRESS OF THE AMERICAN ECONOMY

GROWTH OF OUTPUT Continues With Recent Cyclical Fluctuation Limited...

The Value of National Output Has Risen Substantially Over Time

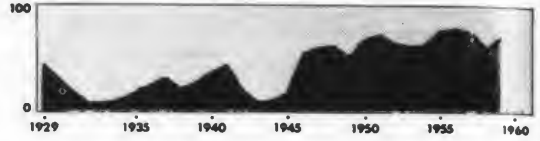


The Rate of Advance in Real Volume Was Three Percent Per Annum

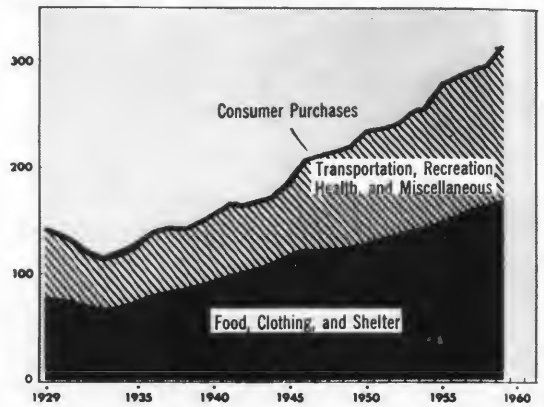


ECONOMIC GROWTH Has Been Associated With Large Capital Investment

Billions of Constant (1959) Dollars



And a Rising Volume of Consumption



With an Expansion in Public Services



PERSONAL INCOME in all Regions Records Growth With Differential Rates of Advance

New England and Mideast

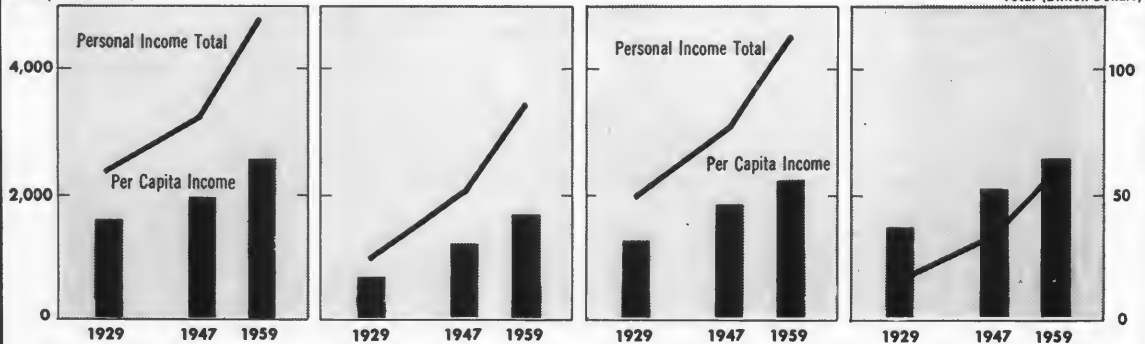
Southeast and Southwest

Great Lakes and Plains

Rocky Mountain and Far West

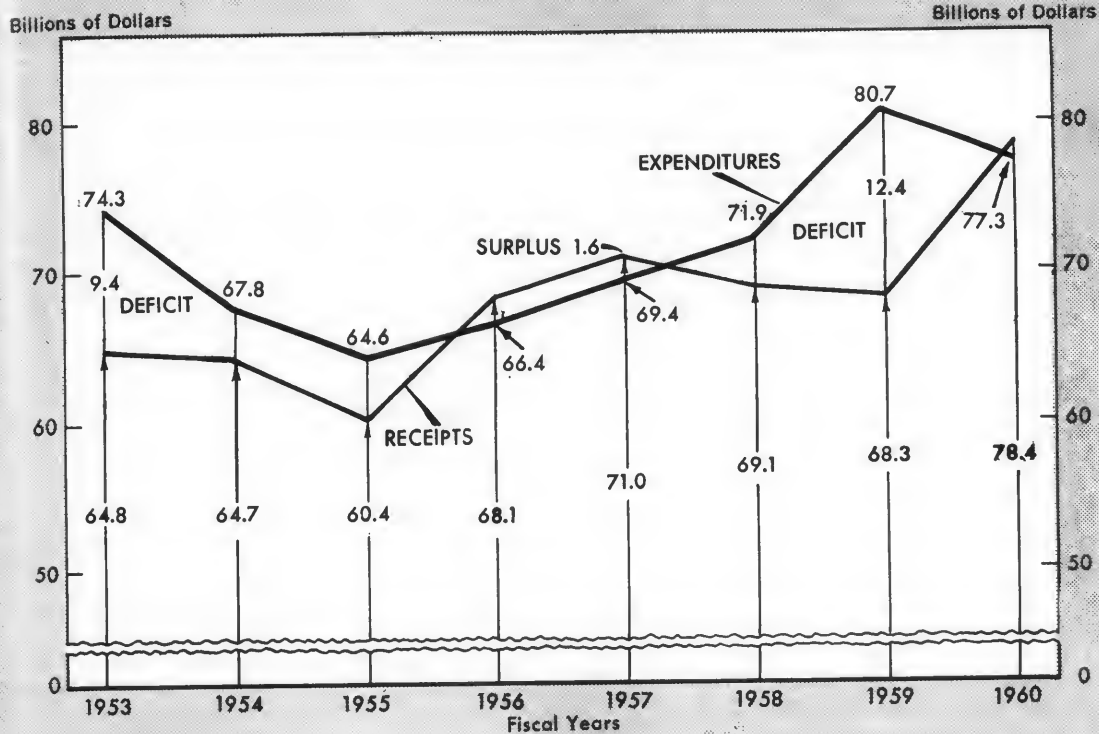
Per Capita (Dollars)

Total (Billion Dollars)

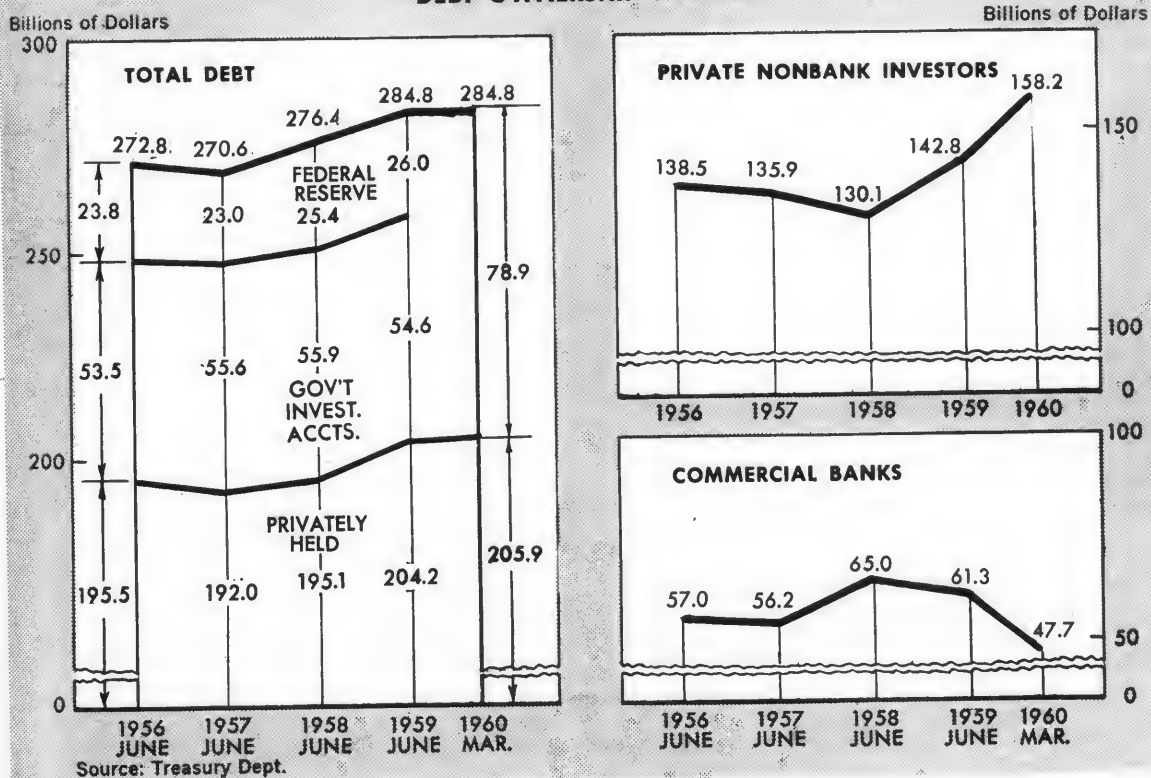


Note: Figures are in dollars of constant purchasing power at 1959 prices.
Source: Survey of Current Business, Dept. of Commerce

THE BUDGET



DEBT OWNERSHIP TRENDS



Source: Treasury Dept.

Why We Need a Better Market for Bank Stocks

EUGENE M. LERNER and DONALD P. JACOBS

DR. LERNER is assistant professor of economics at the Bernard M. Baruch School of Business and Public Administration, The City College of New York. DR. JACOBS is assistant professor of finance, School of Business Administration, Northwestern University, Evanston, Ill. The authors would like to thank Professor Harry Guthmann for criticism on earlier drafts of this study.

THOUGH bank earnings in the aggregate may not have differed significantly from those of all manufacturing or utilities, it is difficult to generalize about them, for the variation among the different size classes of banks is great. Moreover, the historic patterns have been changing.

Earnings after taxes set the upper limit on the internal acquisition of new capital. A decision must also be made on how large a portion of earnings to pay stockholders.

The data in Table IV show the ratio of dividends to earnings for different size banks since the end of World War II. These data show that there is an almost steady upward trend in the payout ratio as bank asset size increases. The large decline for all banks in 1954 was not caused by lowered dividends but rather by the strong upward movement in bank profits in that year.

Several reasons may account for this difference in payout ratios by size of bank. Small banks are typically closely held. Any issue of additional capital, if sold through preemptive rights, means that relatively few stockholders have to subscribe for the additional capital. If these stockholders do not have the funds or do not wish to increase their commitment, the securities have to be sold to outsiders, and a control

Last month the authors discussed general bank accounting and tax minimization techniques. A comparison between banking and other industries led to the conclusion that the rate of return on capital was more stable although slightly lower in banking.

In this, the final part, the earnings performance, payout record, and the marketing of bank securities are studied.

problem might loom large. Since large banks tend to be less closely held, the control problem is typically not as pronounced.

A second reason why small banks may have a lower payout ratio is that their securities frequently sell for less than book value; even more frequently, they sell for less than book plus valuation reserves. The sale of stock to outsiders consequently leads to dilution. The securities of large banks, on the other hand, often sell for a premium over book, avoiding dilution problems.

A third consideration may be the tax bracket of the relatively few stockholders of the smaller banks. If the dividends these stockholders receive are taxed at a high marginal rate, they may prefer that the bank retain its earnings, for the bank's securities may then be expected to appreciate and their sale result in capital gains. The widespread ownership of large banks inevitably makes the tax position of individual stockholders less weighty, a consideration for management.

For these various reasons, then,

TABLE IV
*Dividends as a Percentage of Earnings of
All Insured Commercial Banks, by Asset Size*
(in millions of dollars)

	Less than 1	1 to 2	2 to 5	5 to 10	10 to 50	50 to 100	100 and more	All
1958	36.1	34.2	34.7	33.7	31.9	38.1	48.2	42.6
1957	35.9	34.2	36.2	38.4	40.2	45.5	55.9	49.3
1956	34.9	34.4	36.2	39.3	43.3	47.8	58.1	51.0
1955	35.9	34.5	36.5	38.2	41.2	45.1	53.8	48.9
1954	34.3	31.0	31.8	30.2	30.6	34.3	46.2	39.8
1953	33.0	31.4	34.2	35.8	37.7	41.3	54.4	46.2
1952	31.4	30.0	32.6	33.8	38.0	42.2	52.4	44.6
1951	29.8	28.6	31.4	34.0	39.0	40.2	56.7	46.1
1950	29.4	28.3	29.9	31.1	34.0	36.5	51.6	41.9
1949	26.5	26.5	29.5	30.3	35.7	38.1	53.9	42.7
1948	26.2	26.7	29.7	33.7	42.1	48.3	53.1	44.5
1947	25.1	24.9	26.2	29.6	33.4	39.2	50.8	40.4
Average	31.5	30.4	33.2	34.0	37.3	41.4	52.9	44.8

SOURCE: Annual reports of FDIC.

we would expect small banks to increase their capital primarily through retained earnings. Larger banks have better access to capital markets and can, with less sacrifice in terms of dilution of earnings, tax problems, and control problems, raise capital through new flotations. In 1957, approximately \$365,000,000 was added to total bank capital by new banks being formed and existing banks selling additional securities. Two banks, the First National City and the Chemical Corn, both of New York, accounted for \$185,000,000 of this amount. Three other large banks accounted for an additional \$20,000,000. In 1954, one large bank accounted for over \$131,000,000 of the total \$237,000,000 in new equity raised by all banks.

IV—The Market's Valuation of Banks

We have documented the earnings and dividend pattern for the aggregate of all banks. How has the market valued these facts? Are there systematic differences in the way the market values different classes of banks?

To answer these questions, two samples of banks were carefully studied. The first group was drawn from the 45 large banks which are eligible legal investments by savings banks in Massachusetts.⁷ Only 10 of these 45 publish data on the size of their valuation reserve and have not sold additional equity since 1954. This group made up the first sample.

The second sample consisted of 26 small banks which, like the sample of 10 large banks, publish data on the size of their reserves⁸ and had not sold additional stock since 1954. Bid quotations for these securities were taken from the *National Stock Summary*.⁹

The larger banks are widely recognized as prime investments. Their

⁷See *Data on Selected Commercial Bank Stocks*, Tenth Annual Edition, 1959. The First Boston lists 47 banks as eligible for legal investments. Only 45 were used in this study because two were formed through merger since 1954.

⁸Each bank must publish a complete balance sheet on call dates in a newspaper in the country. Valuation reserves and other memorandum items need not be noted. The banks selected in this sample were all those that published their statements in the midwest edition of the *Wall Street Journal* or the *Chicago Law Bulletin*.

⁹The beginning and end dates used in these various samples are close but not identical. The SEC data show the price change from July 2, 1954, to June 5, 1959. The two large bank samples show the change from the high in 1954 to the high in 1958. The quotations for the Chicago banks are bid prices on the third quarter of 1954 and the second quarter of 1959.

TABLE V

A Comparison of Selected Financial Ratios for 10 Large Banks and 26 Small Banks

	Percentage change in stock price 1954-1958	Percentage change in book value plus valuation reserves, adjusted for dividend payments	Percentage change in book value adjusted for dividend payments	Valuation reserves as a percentage of book value	Payout ratio	1958 price as a percentage of 1958 book plus valuation reserves
10 LARGE BANKS						
Range: High	63	56	51	31	75	172
Low	0	31	28	7	32	100
Average	42	44	40	14	53	123
26 SMALL BANKS						
Range: High	203	157	120	62	51	114
Low	-9	28	26	5	0	15
Average	59	72	58	20	21	64

names are well known; their capital is large; the bid and ask prices of their securities appear with some regularity in many financial and local papers; and their income statement is published in more or less detail in standard financial manuals.

The Small Bank's Problem

The small banks, on the other hand, are less well known institutions. Typically, only a small number of shares are outstanding, and what securities there are may be closely held. A bid placed equal to or slightly above the price at which the last transaction took place may entice few if any shares to be offered for sale. Income statements and earnings figures are not readily available to the general public. In short, while the large banks are traded in a national market, the small banks may be representative of that larger group of institutions whose securities are traded in what is, at best, an imperfect market.

Data in Table V show that the small banks, on the average, appreciated somewhat more in price than did the 10 large banks. (The price appreciation between 1954 and 1959 for the 45 large banks from which this sample was drawn and the selected small Chicago banks were comparable, 60% and 59%, respectively.)

Part of the difference in price appreciation lies in the differing earn-

ing performances of the different groups of banks. The growth in earnings was measured by adding together the change in book value, the change in reserves, and the total dividends paid. Unfortunately, figures on the size of valuation reserves are not readily available for the large bank sample during earlier years. To compare the large banks with the smaller ones, the simple assumption was made that one half of their total reserves were accumulated since 1954, since between 1954 and 1958 valuation reserves of all insured commercial banks combined increased by roughly 50%. Under this assumption, the data of Column 2 of Table V show that the average small bank was far more profitable than the average large bank. A similar conclusion is supported by the data in Column 3, where the change in reserves is ignored and earnings are defined as only the change in the book plus the dividends paid. But earnings alone do not explain the entire difference in price appreciation.

Three Other Differences

Three other systematic differences between the small banks and the large institutions are shown in the other columns of Table V. First, the small banks have a higher proportion of hidden reserves. Valuation reserves differ from bank to bank,

(CONTINUED ON PAGE 128)

Our Changing Financial and —The Northeast

This is the final article in this series, which, in the June, July, and August issues of *BANKING*, covered the West, the South, and the Midwest. Until recently the head of the public information department of the Federal Reserve Bank of New York, MR. MADDEN is now dean of the College of Business Administration, Lehigh University.

THE new technology, the explosion outward of the city, and the westward shift of industry, analyzed in earlier articles of this series (June, July, and August *BANKING*) have reduced the share of New York and the Northeast in the nation's growing economy. This has happened in spite of rapid growth in absolute terms of the Northeast and in spite of New York's continued leadership as the nation's financial capital and America's "front office."

However, in the Megapolitan Era, New England may point the way forward for mature areas elsewhere in the world. And New York, with its

unparalleled facilities and markets, seems likely to remain the country's center of finance and possibly to become even more the world's.

Smaller, but Still the Biggest Slice

To say only that the Northeast's share has gotten smaller is highly misleading. For example, New England and Middle Atlantic states since 1946 have seen their combined share of total demand deposits in the country go down from \$4 to \$3 out of every \$10. Such a change still leaves these regions at the center of the nation's financial resources.

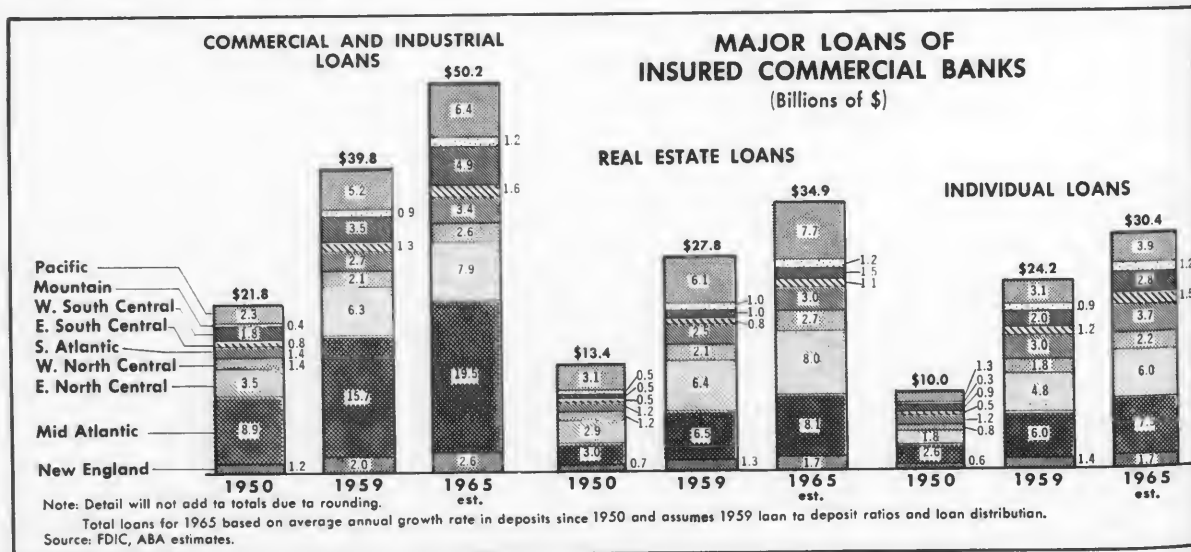
Indeed, the unprecedented size and growth of the Northeast perhaps deserves the greater emphasis. For example, in two life-spans of 70 years each, greater New York's land area has multiplied 110 times and its population 30 times. Today nearly one out of every 10 people in the United States lives within a 40-mile radius of New York City; more than 4,000,000 people have jobs located in

CARL H. MADDEN

the city's five boroughs; and its downtown banks have \$1 out of every \$6 of demand deposits in the country.

The vivid change since World War II in the relative national position of the Northeast in banking deposits only emphasizes the concentration of deposits in the Northeast earlier. For example, in 1929 the member banks of the New York Federal Reserve District held more than one-third of the nation's demand deposits. Today the figure, slightly less than one-fourth, is still large.

Prospects for the growth of the Northeast economy remain bright in absolute terms but require major redevelopment. The very fact that this area is already so highly developed economically is a practical limitation on the likelihood that its growth rate could or should match smaller



Business Geography IV

The Northeast Remains the Nation's Financial Center and New York Its Capital — Roles That Will Probably Be Retained in the Coming Decades

and newer regions. In important ways the size, complexity, and maturity of the area interpose barriers and challenges to its growth.

Eastern leaders, some of whom in the Twentieth Century until the 1950s took the preeminence of the East for granted, have recently shown a renewed sense of purpose in studying its prospects. In New York City, for instance, there is the extensive redevelopment plan for downtown Manhattan and the proposed World Trade Center, and New York State's Commerce Department is vigorously seeking to stimulate industrial migration to New York.

The Regional Plan Association, now completing a comprehensive multi-volume study of the 22-county New York Region, thinks that the region can increase its population from 15,000,000 to 19,000,000, its jobs from 6,125,000 to 7,750,000, and its land area from 1,100 to 1,800 square miles by 1975.

And the Federal Reserve Bank of Boston, in a study of New England's prospects, expects that by 1970 the region will add more than a million people, nearly half a million jobs, and \$7-billion of personal income to its economy.

New England: Challenges and Opportunities

For New England, as elsewhere, the future "will not and cannot just happen—it must be created," in the Reserve bank's words. The vast forces of the new technology, the westward population shift, and the rising Megapolis pose challenges to that mature area.

In an age of rapid technological change, New England manufacturers (typically in industries with a larger proportion of labor costs to total costs than their national counterpart) currently use less capital per

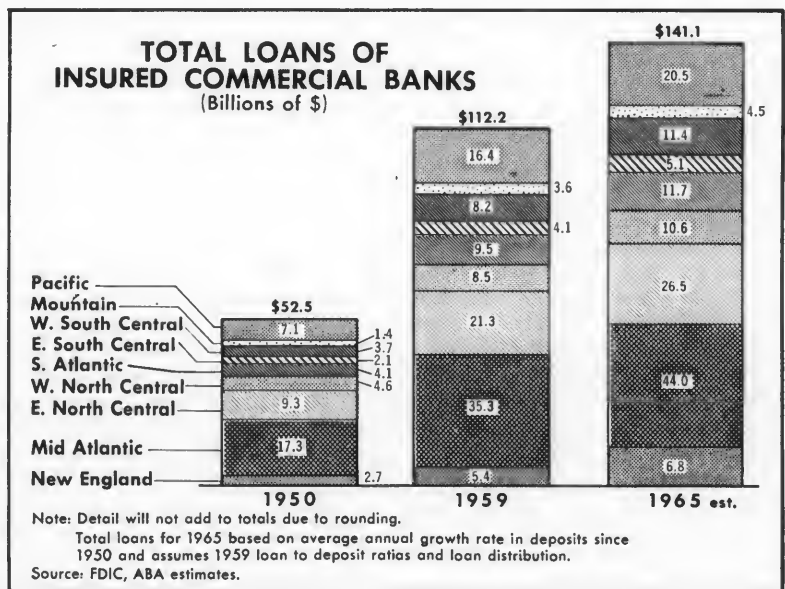
worker and invest less in capital facilities per worker than the national average. Perhaps 16% of New England's occupied manufacturing space was built before 1900. Half the equipment used in 10 of its 16 largest industries is over eight years old.

With the shift westward of the Great Manufacturing Belt during this century, New England manufacturers find themselves increasingly at the end of the line, remote from national markets. Increasing dependence upon defense industry threatens to increase instability and Government dominance.

The strains of Megapolis are sharp in New England. It is crowded. Its projected 1,000,000 population growth would make its population density by 1970 2½ times the national average. It is old. Six out of 10 of its houses were built before 1919. Only one in nine New England families lives in a house built after

1939. It is urban. One third of its projected 1960-70 population increase is expected to occur in greater Boston. By 1970 more than 3,738,000 people will be living in the 149 towns and cities of the Greater Boston area.

The challenges facing New England, could, however, be opportunities. Already the region has led the way in originating state development corporations to finance risk-type capital expansion. Only now economists are discovering that technological advance, and not additions to capital, labor, or management, has been the source of 90% of American economic growth in the Twentieth Century. New England education, with its superb standards and facilities, is thus a key element in fostering creative technology that will result in banking growth. And the shift to intensive research and development, to lighter-weight manufacturing, more automation, and more

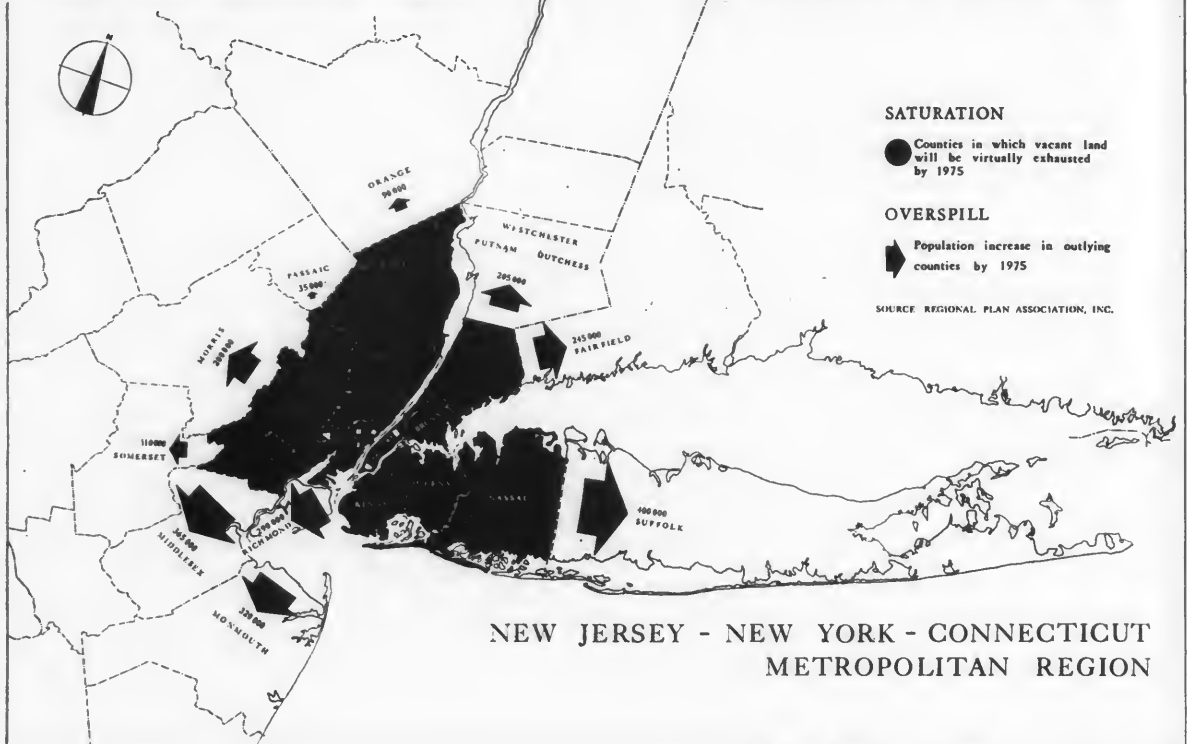




REGIONAL PLAN ASSOCIATION, INC.



THE EXPANDING REGION 1955-1975



NEW JERSEY - NEW YORK - CONNECTICUT METROPOLITAN REGION

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rapid productivity gains has already begun for New England manufacturing, for example at the Route 128 radial periphery of the Boston Hub.

"Financing the expansion of public facilities is certain to put severe strains on local and state governments during the 1960s," says the Boston Federal Reserve Bank. The growing crisis in metropolitan financing makes urgent the need for financial innovation. There is Adolph Berle's bold suggestion for a new unit of metropolitan government, like the "Miami-Metro" in Dade County, Florida; a unit capable of exercising governmental functions that span the metropolis, with federally guaranteed bonds to finance its activities. Given Canada's new metropolitan governments in Toronto, Montreal, and Winnipeg as models, here New England might take the lead.

Indeed, New England faces today problems of "catching up" in its development that the country at large faces to a lesser degree in some world markets, if only because it was de-

veloped earlier than postwar-restored competitors. Automation, research and development, maximum development of human resources—in today's world of rising expectations and spreading technology, these are more likely to be basic requirements than end products of growth.

The New York Region

In their national function as lenders to nationwide enterprises, to securities markets, and to out-of-town banks, New York City commercial banks have a special role. Their growth is critically linked to whether the loans they make to the rest of the country flow back to them as deposits.

Declining shares of total national deposits have placed on New York commercial banks pressures to liquidate assets. The wartime dispersion of Treasury funds, raised through New York, to the new war plants located elsewhere, began a process that has slowed since but shows no signs of stopping.

Since the war the smaller role of

securities markets, improvements in transfers of funds, more sophisticated corporate handling of idle balances, more active competition by out-of-town banks—all these have been added to the more rapid growth of deposits outside New York to curb the deposit growth of Wall Street banks. Meanwhile, until 1960, banking legislation prevented their move to the suburbs to follow middle income customers. And revitalized Federal Reserve policy since 1951 has at times put them under pressure to liquidate assets.

Faced by outward flows of funds and continued large demands for loans, New York banks since World War II have liquidated securities faster than banks elsewhere. If one projects for the 1960s and 1970s faster economic development outside New York, this implies more rapid deposit growth as well. Robbins and Terleckyj, in their study for the Regional Plan Association, *Money Metropolis* (1960), estimate that New York City banks will hold 11% of the nation's deposits in 1985, against

about 17% today. If their loans remain a large share of national totals, the New York banks' share of the nation's investments will fall from about 10% to 7% by 1985.

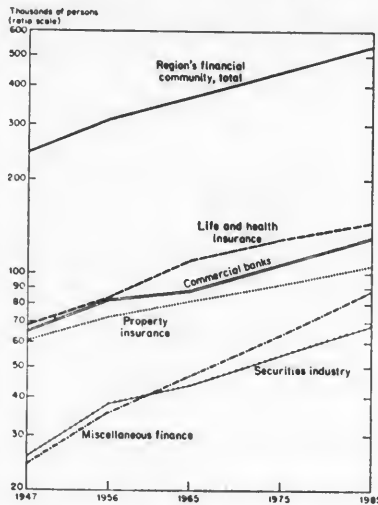
Deposit and investment declines may, on the other hand, be partially offset by legislation, such as the 1959 law giving the Federal Reserve power to abolish central reserve city classifications and the 1960 law allowing New York banks to penetrate nearby suburbs. It is doubtful, however, that such changes in rules will divert the broad course of tomorrow's quickened technological change.

More interesting is the possibility that New York may grow further as an international banking center in offset to its loss of deposits to domestic competitors. With the St. Lawrence Seaway and the rise of air transportation, the Port of New York may handle a smaller share of the nation's foreign trade in coming years. Still, the New York banks have great advantages of skill and facilities in financing foreign trade. Most of the \$19-billion of short-term liabilities to foreigners and international institutions is currently held in the New York market.

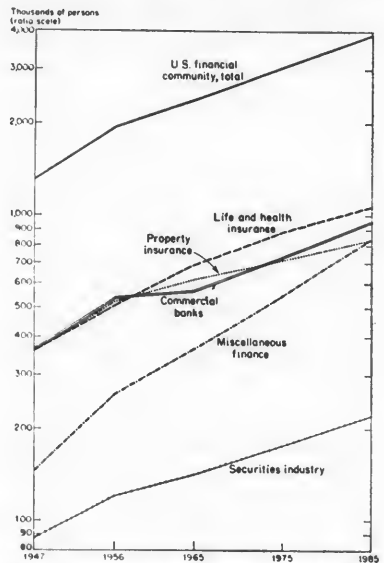
New York's growth as a foreign finance center requires sound domestic financial policy that preserves foreign confidence in the dollar. It

Past and Projected Employment, Financial Industries, 1947-85

New York Metropolitan Region



United States



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Plan Association, Inc., and published by the Harvard University Press.

requires bold foreign policy to foster increased private trade and financing of peaceful economic development. It would be enhanced, in the view of New York banks, by remedial legislation to Regulation Q, distin-

guishing foreign from other time deposits and thus preventing loss of foreign time deposits by New York banks when money market rates here or abroad rise above the 3% ceiling.

Inside the city, the long-term migration trend uptown of corporation headquarters gives the New York banks a Hobson's choice. They may follow the corporations uptown and desert the facilities of the money market, or not follow them to risk the loss of their custom either to a New York competitor or increasingly to an out-of-town bank which is more conveniently located in a branch city of the corporation. The 60-story steel-and-glass shaft of the Chase Manhattan at Liberty Street will stabilize the Wall Street area for some years to come. Yet today most New York banks have both midtown and downtown executive offices.

The pulling-apart of banking functions to separate locations in the nation's banking center raises questions yet unresolved that illustrate plainly the close interrelation of commercial banking and other urban problems. With automation, can clerical and operating work be physically separated from "elite" lending-

(CONTINUED ON PAGE 144)

Financial Data Projections

Data from *Money Metropolis*, copyright 1960 by Regional Plan Association, Inc., with whose permission they are reprinted here.

	1956	1965	1975	1985
Noninstalment credit.....	10,166	15,609	24,083	37,204
Instalment credit.....	31,346	53,399	90,313	150,587
Commercial loans.....	37,592	48,569	71,191	104,739
1-4 family houses.....	96,117	155,900	246,093	387,922
(total U. S. mortgage credit)				
Multifamily and commercial properties (total mortgage credit).....	34,757	65,958	114,258	193,961
1-4 family houses.....	15,632	24,944	39,375	62,078
(banks' mortgage credit)				
Multifamily and commercial properties (banks' mortgage credit).....	5,005	9,234	15,996	27,155
Total securities loans.....	4,155	6,025	9,038	13,557
Securities loans to brokers and dealers.....	2,513	3,615	5,423	8,134
Securities loans to others.....	1,642	2,410	3,615	5,423

Washington

The Platforms' Economic Labels: Some Ideas Behind Them

THOMAS W. MILES

THIS month and next the country will be treated to a great exposition of views through all the media of modern communication on a number of public matters of special concern to bankers. "Tight" money (that isn't so tight any more), inflation, stability, growth, public versus private sectors of the economy—these are some of the labels identifying the issues in the Democratic and Republican party platforms. So that you may know exactly what they say, **BANKING** is reproducing as a basic document in this issue the planks in the platforms that deal with these subjects.

Bear in mind that the platforms of political parties are sales pitches with honeyed—often sticky—words, ambiguously composed to mean whatever the voter wants to find. Even so, there are motivating ideas behind them.

What is this "New Frontier" that Senator John F. Kennedy talked about in his speech accepting the Democratic nomination for President? And Vice-president Richard M. Nixon, who as a member of the Administration team is familiar with the country's financial problems—what would be his thinking if he moved up to the Presidency? Although, as has been noted, the views of Messrs. Nixon and Kennedy coincide in a number of areas, such as welfare spending and civil rights, they are far apart in financial matters.

Both men have "brain trusts" of academicians and economists from

leading universities all over the country who feed them new ideas. For Mr. Nixon, two key advisers are Dr. W. Allen Wallis, executive director of the Cabinet Committee on Price Stability for Economic Growth which Mr. Nixon heads, and Dr. Arthur F. Burns, former chairman of the President's Council of Economic Advisers. Several economists who rallied to Adlai Stevenson have moved over to Mr. Kennedy's camp. Prominent among them are Dr. John Kenneth Galbraith and Seymour E. Harris of Harvard, and Dr. Paul A. Samuelson of Massachusetts Institute of Technology. Dr. Galbraith's two popular books, *The Affluent Society* and *The Liberal Hour*, have overtones in the Democratic platform, in campaign speeches and literature.

For a better idea of the thinking behind the Republican platform, the forceful exposition of Administration views presented by Secretary of the Treasury Robert B. Anderson to the Republican Platform Committee in Chicago provides an excellent summary. Mr. Anderson was one of those mentioned by Mr. Nixon as a possible running mate for Vice-president. This fact in itself is a measure of the stature that this man, who was not very well known to the public when he came to the Treasury, has achieved in a few years.

Attacks Galbraith's Economics

Mr. Anderson attacked one of Dr. Galbraith's cardinal principles—that the public sector of the economy has

been starved at the expense of the private sector. This is not so, he said, and cited the nation's tax bill of \$130-billion for Federal, state and local levies. This, he pointed out, is more than a quarter of our total national output, and "a great deal of money by any standard."

Mr. Anderson asked that the Republican record be judged on how effectively it meets the needs of the people, holding that in the party of Abraham Lincoln, "the good of the people comes first." His approach was human. It is the Democrats, he charged, whose approach is "statistical," whose "goals, relying on faceless statistics or arbitrary forced rates of growth, are built on quicksand."

The secret of America's economic strength, Mr. Anderson emphasized, lies "not in Government blueprint." This was a point he made a number of times. He attributed the nation's strength to "the massive power of millions of individuals working in freedom and secure in the knowledge that the rewards of enterprise will accrue to the public, not the state." He added:

"We do not seek economic progress by unnecessarily enlarging government and thereby limiting individual choice. We seek it by expanding—not limiting—the area in which individuals are free to plan, to think, to invest, to achieve."

Mr. Anderson attacked the whole theory that a nation's growth can be stepped up by the enlargement of central Government and by "invok-



WIDE WORLD

The President reading, for recording purposes, the message which he sent to Congress on August 8. Requesting Congress to take up a wide variety of measures, he said: "There is much important legislative work still pending that cannot await the selection and assembly of a new Congress and a new Administration"

ing a magic formula." The Democratic platform calls for a rate of growth of 5% a year, which is about double the recent average. Mr. Anderson made this additional point:

"Certainly it (growth) will not be achieved by setting our sights exclusively according to what the fellow across the road or across the ocean is doing by coercion and dictation."

Mr. Anderson also cited a few statistics of his own to show that the country has made substantial growth reflecting solid gains in the aspirations of people.

"Freedom," he said, "is too priceless to be sacrificed upon the altar of growth of any kind at any price."

Defends Federal Reserve

Mr. Anderson's defense of the independence of the Federal Reserve Board deserves to be quoted in full, and BANKING reproduces the pertinent paragraphs:

"In our nation this important job of fighting both speculative booms and recession through money policies is handled by the Federal Reserve System. This System is properly bipartisan, and by design and practice makes its own judgments, free from external direction. It is responsible only to the Congress.

"The Republican party opposes any steps, either by statute or through influence, that would weaken the independence of the Federal Re-

serve System. World history provides numerous examples of disaster resulting from the actions of a politically dominated reserve banking system.

"If money policy is wisely handled, the determined efforts of more and more people to borrow money during prosperity may temporarily press against the amount of available savings. The interest rate is the price of borrowing money. Interest rates go up when the demand for money goes up; they go down when the demand for money goes down.

"Thus, the somewhat higher in-

terest rates of the postwar years are actually a sign of high output and employment. Still, there are some who ignore the benefits to people of an honest currency and cry out against the higher price that peoples' savings earn in a prosperous economy. Interest rates, they say, should be kept at perpetually low depression levels.

"It is usually not pointed out that interest rates can be kept low at times of good business and strong credit demands only by creating vast amounts of new money for lending. Very few, it is true, urge that this be done through the old-fashioned and discredited method of the printing press. Rather, the advocates of keeping interest rates low would rely on subtle inflation of the supply of bank credit.

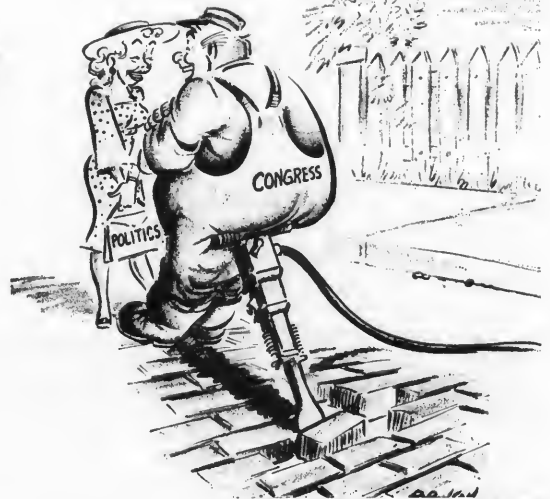
"The results, however, would be the same, a rapidly rising cost of living, currency debasement, erosion of savings, recession and unemployment, stunted growth, and a crippling blow to the position of this nation as a leader in the free world.

"This is too high a price to pay for a temporarily lower level of interest rates."

It is significant that the Democratic platform promise to "put an end to the present high-interest, tight-money policy" drew an immediate response in Washington. The liberal *Washington Post and Times-Herald* editorially termed it a "dubious plank." An editorial said:

"The answers to the twin problems of growth and price stability do not

Back to Work!



ROBINSON IN THE INDIANAPOLIS NEWS



WIDE WORLD

The fate of the Administration's legislative program will largely depend on these two men, shown conferring as Congress reconvened after the pause for political conventions. *Left:* Senate Minority Leader Everett Dirksen of Illinois; *right,* Senate Majority Leader Lyndon Johnson of Texas, the Democratic Vice-presidential candidate

lie in any tinkering with money—although the supply obviously must keep pace with real demand.”

Keyserling's Views of Fed

But Leon Keyserling's Conference on Economic Progress, in a 77-page report on "Tight Money and High Interest Rates," would curtail the independence of the Fed without hesitation. It would make Fed expenditures "subject to public audit and control," discontinue surpluses by Federal Reserve banks, and "make sure that the membership of the Federal Reserve Board were more truly representative of the various important groups and interests in our nationwide economic life."

Mr. Keyserling was chairman of President Truman's Council of Economic Advisers. His influence today is strong in the labor movement and undoubtedly played an important part in putting the tight money plank in the Democratic platform.

About the time of the Democratic convention it somehow got into print in Washington that Chairman William McChesney Martin of the Federal Reserve Board would be the first casualty in the Eisenhower appointments if Senator Kennedy is elected.

However much this might be wanted by those who do not like Federal Reserve policies, it can not be as the Fed is now set up. Only four years ago Mr. Martin was re-appointed to the Board of Governors for the 14-year term which, in his case, will be until February 1, 1970. He was re-designated chairman until April 1963. There is no indication that Mr. Martin would serve the convenience of opponents of the Fed by obligingly resigning if the Fed comes under fire in a Democratic Administration. And he cannot be fired without changing the Federal Reserve Act.

Galbraith and the Platform

Behind the Democratic platform is the thinking of such men as Dr. Galbraith, who believes that the resources of the country can be organized more effectively for national power by devoting more to such public sectors as education, health, housing, etc., and less to the production of frivolous things. He is opposed to the creation of unessential wants even though they may add to production and the gross national product. His books make delightful and provocative reading as he pokes

holes in conventional economic concepts. Although he lacks the almost fierce messianic zeal of others in the Kennedy camp, his ideas are all the more influential for the apparent disinterestedness with which he examines them.

Government is conceived by the Democratic platform as an instrument for better allocation of resources to priority needs through planned public expenditures and taxation as a means, and through whatever controls are needed from time to time to keep the situation in hand.

The Consumer Is a Voter

In view of the fight that Senator Paul H. Douglas of Illinois carried on last Spring for an interest disclosure bill, the second paragraph on page 48 of the Democratic Platform is of interest. It says under the heading "Consumers":

"The consumer also has a right to know the cost of credit when he borrows money. We shall enact Federal legislation requiring the vendors of credit to provide a statement of specific charges and what these charges cost in terms of true annual interest."

The Republican plank on the "Protection of Consumers" talks about guarding consumers against harmful food, drugs and cosmetics but does not mention interest disclosure.

But whether or not Senator Kennedy is elected, Senator Douglas has indicated that he will re-introduce his interest disclosure bill in the next Congress. Although Senator Douglas' subcommittee held hearings and favorably reported the bill to the full Senate Banking and Currency Committee, no action has been taken on it yet. It is felt that the bill is stymied for this session.

Budgetary Surplus

The Federal Government ended the 1960 fiscal year on June 30 with a larger budgetary surplus than it anticipated at the half-year mark in January. The surplus was \$1.1-billion, which was \$900,000,000 more than expected. Receipts were down \$200,000,000 below the mid-year estimate but so were expenditures, only much more. The actual totals for the year were: receipts \$78.4-billion, expenditures \$77.3-billion.

(CONTINUED ON PAGE 88)

A.B.A. CONVENTION BOUND?



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WASHINGTON—Continued from page 84

Democratic and Republican Platforms— What Do They Mean to Bankers?

Two sections in each of the Democratic and Republican party platforms are of special interest to bankers inasmuch as they are concerned with economic opportunity and Federal monetary and fiscal policies. In the Democratic platform these are entitled "Economic Growth" and "Fiscal Responsibility." The Republican titles are "Economic Growth and Business" and "Government Finance."

In the belief that bankers will want to read the texts of these sections, **BANKING** is reproducing them here. So much emphasis was placed on the platforms by both parties during the conventions that they may well play a greater part in the campaigns than they have heretofore. In any case, they express ideas that the winning party will attempt to translate into law.

DEMOCRATS:

Economic Growth—The new Democratic Administration will confidently proceed to unshackle American enterprise and to free American labor, industrial leadership, and capital, to create an abundance that will outstrip any other system.

Free competitive enterprise is the most creative and productive form of economic order that the world has seen. The recent slow pace of American growth is due not to the failure of our free economy but to the failure of our national leadership.

We Democrats believe that our economy can and must grow at an average rate of 5% annually, almost twice as fast as our average annual rate since 1953. We pledge ourselves to policies that will achieve this goal without inflation.

Economic growth is the means whereby we improve the American standard of living and produce added

tax resources for national security and essential public services.

Our economy must grow more swiftly in order to absorb two groups of workers: the much larger number of young people who will be reaching working age in the 1960s, and the workers displaced by the rapid pace of technological advances, including automation. Republican policies which have stifled growth could only mean increasingly severe unemployment, particularly of youth and older workers.

An End to Tight Money

As the first step in speeding economic growth, a Democratic President will put an end to the present high-interest, tight-money policy.

This policy has failed in its stated purpose—to keep prices down. It has given us two recessions within five years, bankrupted many of our farmers, produced a record number of business failures, and added billions of dollars in unnecessary higher interest charges to Government budgets and the cost of living.

A new Democratic Administration will reject this philosophy of economic slowdown. We are committed to maximum employment, at decent wages and with fair profits, in a far more productive, expanding economy.

The Republican high-interest policy has extracted a costly toll from every American who has financed a home, an automobile, a refrigerator, or a television set.

It has foisted added burdens on

taxpayers of state and local governments which must borrow for schools and other public services.

It has added to the cost of many goods and services, and hence has been itself a factor in inflation.

It has created windfalls for many financial institutions.

The \$9-billion of added interest charges on the national debt would have been even higher but for the prudent insistence of the Democratic Congress that the ceiling on interest rates for long-term Government bonds be maintained.

Control of Inflation

The American consumer has a right to fair prices. We are determined to secure that right.

Inflation has its roots in a variety of causes; its cures lie in a variety of remedies. Among those remedies are monetary and credit policies properly applied, budget surpluses in times of full employment, and action to restrain "administered price" increases in industries where economic power rests in the hands of a few.

A fair share of the gains from increasing productivity in many industries should be passed on to the consumer through price reductions.

The agenda which a new Democratic Administration will face next January is crowded with urgent needs on which action has been delayed, deferred, or denied by the present Administration.

A new Democratic Administration will undertake to meet those needs.

It will reaffirm the Economic Bill of Rights which Franklin Roosevelt wrote into our national conscience

(CONTINUED ON PAGE 134)

TREASURY FAREWELL

Assistant to the Secretary of the Treasury Robert P. Mayo (left) receiving a scroll from Secretary of the Treasury Robert B. Anderson at a farewell party for the former at the National Press Club. Mr. Mayo resigned his Treasury position after 19 years of public service in the fields of Treasury financing and debt management to become vice-president in the trust investment division of the Continental Illinois National Bank and Trust Company of Chicago





In Plain Sight...

THE BEST LOAN COLLATERAL

Even though inventories are in plain sight, they are often overlooked as prime collateral for secured loans.

So MR. LOAN OFFICER — the next time you see INVENTORY in plain sight on a financial statement — why not call in Lawrence. The use of Lawrence Field Warehouse Receipts enables your bank to make safe and profitable inventory loans. It also makes it possible for you to provide your customers with needed working capital on a secured basis.

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The Federal Reserve's Independence

HERBERT BRATTER

THE coming election brings more prominently to attention the issue which for simplicity we may call "the money question," over which liberals and conservatives, particularly Democratic liberals and Republican conservatives, have been at loggerheads throughout the Eisenhower Administration. The liberals maintain that "tight money" has retarded the economic growth we could have and should have. The conservatives and the bipartisan Federal Reserve Board, which is not part of the Administration, defend present monetary and debt management policies as essential if we are to avoid destructive inflation.

Democratic Platform: President Can End Tight Money

The new Democratic platform flatly asserts that a "Democratic President will put an end" to tight money policies. The Democratic Presidential candidate, John F. Kennedy, foreseeing a possible economic slowdown in 1961, sees no doubt "that the high interest rate policies, hard money policies, all the rest, have been partly responsible for the slowdown." While disclaiming any intention to curtail the Federal Reserve's independence, the Senator thinks the Board should work more closely with the President "and I have no doubt that any new Democratic President will find the Federal Reserve pursuing a somewhat different policy. . . . The President has great influence."

In February, it will be recalled, Senator Kennedy joined his Democratic colleagues on the Joint Economic Committee in recommending that the Fed abandon "its discredited 'bills only' policy," buy more bonds, and use open-market operations rather than lower reserve requirements to expand credit. In a speech that same month the candidate called the "high interest rates" policy the costliest in our history in terms of small business failures, unbuilt homes and public works, and slowed-down economic growth. In the light

of the Platform and the candidate's promises, the possibility of a Democratic victory in November raises questions about the "independence" enjoyed by the Fed since the famous "accord" of March 1951, and about the future of interest rates, Government securities, credit, and the dollar. Possibly a President with responsibility may see such matters rather differently than a candidate does. In any case, a change of government will be reflected in debt management and fiscal policies, thus altering the political, financial, economic, and psychological environment in which the Federal Reserve will have to operate.

What Does Fed Independence Mean?

Is the Fed really independent? And independent of whom? There is no simple answer to this question. The Board is recognized as "an independent establishment of the Government," created by the Congress to operate in assigned fields on the basis of its own best judgment and on its own initiative. It must report annually to the Speaker of the House. Its board members are appointed for definite terms by the President and are removable by him, for cause. The members' terms are purposely long—14 years—to protect them from political pressures. For additional protection, the terms are staggered.

Over the years certain laws have given the Fed special relationships

to the Executive. Under the Bretton Woods Agreements Act the Fed was made a member of the National Advisory Council on International Monetary and Financial Problems, which gives the chairman of the Board an indirect relationship with the President. Under the Defense Production Act the President has delegated certain powers to the Board. The latter moreover prescribes rules and determines policies as agents of the legislative branch. Also, in its concern with administrative hearings and decisions, the Board is quasi-judicial and, as such, independent of Executive control.

Traditionally the central bank is intended to be insulated from private and public pressures. Of the First Bank of the United States, Alexander Hamilton, Secretary of the Treasury, said: "It would, indeed, be less than a miracle should the credit of the Bank be at the disposal of the Government, if, in a long series of time, there was not experienced a calamitous abuse of it." When the Second Bank was chartered in 1816, with the Government appointing five of its 25 directors, John Randolph objected "that it would be an agency of irresistible power in the hands of any Administration . . . , the fulcrum from which, at the will of the Executive, the whole nation could be hurled to destruction, or managed in any way, at its will and discretion."

Not Subject to President's Review

The House report on the original Federal Reserve Act in 1913, drafted by Carter Glass, described the Board as a "distinctly nonpartisan organization . . . wholly divorced from politics." Later, when Sen. Glass asked President Woodrow Wilson why he

Politics Keep Out

FIGHTING both speculative booms and recession through money policies is handled by the Federal Reserve System. This System is properly bipartisan, and by design and practice makes its own judgments, free from external direction. It is responsible only to the Congress.

The Republican party opposes any steps—either by statute or through influence—that would weaken the independence of the Federal Reserve System. World history provides numerous examples of disaster resulting from the actions of a politically dominated reserve banking system—*Secretary of the Treasury Robert B. Anderson* to the Republican Platform Committee, July 19, 1960.

did not establish closer relations with the Board, Mr. Wilson replied: "The very moment that I should attempt to establish close relations with the Board, that moment I would be accused of trying to bring political pressure to bear." Obviously, its creators intended the Board to be as independent as possible and in this respect the Fed would seem to be described by a Supreme Court comment on the Federal Trade Commission, in *Humphrey's Executor v. United States*: "Its duties are performed without executive leave and, in the contemplation of the statute, must be free from executive control." Its acts are not subject to review or revision by the President.

WW II: Treasury Called the Shots

During World War II war finance needs were huge and the Board's policies had to be coordinated with Treasury operations. The prewar interest rate structure was frozen, with a wide spread between short- and long-term rates. The Fed could only go along. The prolongation of this relationship after the war gave rise, ultimately, to a clash between the System and the Treasury, a clash which involved the White House, as has been documented in Marriner S. Eccles' revealing book, *Beckoning Frontiers*.

With the Fed supporting the Government bond market and with bank portfolios bulging with bonds, the Fed, in Mr. Eccles' words, was "an engine of inflation." Banks could automatically convert their bonds into reserves. But to let bond prices fall would have meant to increase Treasury financing costs. Mr. Eccles' desire to let short-term interest rates rise stirred strong opposition from the Treasury staff, "with its chronic bias for cheap money in all seasons." Mr. Eccles adds: "As I look back over this period . . . I regret that the Federal Reserve did not take a more independent position despite Treasury resistance." The loss of the Fed's independence was described as follows in a 1949 letter Mr. Eccles—who had been demoted to Board member by President Truman—wrote to Chairman Douglas of the Joint Economic Committee:

Decisions regarding management of the public debt set the framework within which monetary and credit action can be taken. As the size of the debt grew through the period of

deficit finance in the 'thirties and particularly over the war period, Treasury needs came to overshadow and finally to dominate completely Federal Reserve monetary and credit policy.

The clash between the Executive and the Federal Reserve reached its climax in early 1951. After conferences with the President and the Board's chairman, the Treasury Secretary announced agreement had been reached to continue the 2½% long-term rate. When the System's disagreement with that interpretation became generally known, the President invited the whole Federal Open Market Committee to the White House. Space is lacking to describe the embarrassing public quarrel which ensued between the White House and Treasury, on the one hand, and the Board. In March, as mentioned, came the "accord" and the recovery of Fed independence. Since then, there have been regular consultations between Fed and Treasury officials and staffs.

Treasury Still Affects Fed

The Board's independence is relative. It cannot be absolute. Treasury debt management affects money and credit. The System must take Treasury activities and policies into account in formulating System policies and actions. The System wants to be free, as free as possible, free to "lean against the wind" of economic fluctuation, as Chairman Martin puts it. The System wants freedom to counteract with the means at its disposal any economic contraction or expansion which in the Board's view may be undesirable. Politicians also claim to have the national welfare at heart; but experience demonstrates an inflationary bias in the legislative branch. Yet they would reduce the Fed's freedom because they regard it as unwisely used. Who knows best?

Some economists would set up a fixed rate of growth for the economy and the money supply and would encharge the Fed with pursuing solely that objective. One such economist is Milton Friedman of the staff of the National Bureau of Economic Research. Since the early 1920s, he says,* we have seen "continual and

unpredictable shifts in the immediate guides to policy." Leaning against the wind is the "justification for their alleged 'independence.' Yet the vagueness of their responsibilities and the wide range of their discretion has left them no means other than 'wisdom' and personal perspective of withstanding contemporaneous pressures and has denied them the bulwark that clearly assigned responsibilities and definite rules would have provided."

"Central Bank" Viewpoint Needed

Prof. G. L. Bach of Carnegie Institute of Technology thinks it unrealistic to believe that monetary policy can be separated from other Government policies merely by keeping the Fed formally "independent." We need a central-bank viewpoint in Government policy making, an anti-inflation viewpoint. But, Prof. Bach holds, Fed "independence" has, anomalously, done more to shut the Fed off from real influence on operating policies of the Government than to protect its freedom. He wants the Board's chairman to be a more effective participant in the executive branch, rather than more independent.

The late Dr. E. A. Goldenweiser at one time desired that the chairman be made a member of the Cabinet to facilitate his meeting the Secretary of the Treasury on equal terms; but later Dr. Goldenweiser decided that would be "a definite mistake," getting the Board involved in politics. In 1952 the former Board economist said: "As a pure matter (CONTINUED ON PAGE 124)

"Oh, it's easy to meet expenses. My trouble is getting away from them."



* Milton Friedman, *A Program for Monetary Stability*, Fordham University Press, 1959.

Banks Hold \$57-Billion

In Trust Account Assets

ASSETS totaling more than \$57-billion were held in personal trust accounts in banks and trust companies of the United States in 1959, according to results of a survey made public recently by the Trust Division of the American Bankers Association.

The figure of \$57.2-billion was an increase of \$7.5-billion over that of \$49.7-billion for 1958.

The survey was the second one conducted by the A.B.A. Trust Division. Until this time a year ago, no such figures on bank-administered personal trust holdings on a nationwide basis had ever been reported.

Commenting on the increase in holdings over a year's time, Robert G. Howard, deputy manager and secretary of the Trust Division, said: "The character of this survey does not permit exact identification of the causes for this growth. However, it would seem to be attributable to a combination of two factors. Increased value in existing accounts would doubtless be one of those factors, the other being an added volume of new business reflecting public satisfaction in the services provided by trust institutions."

Value of Common Stocks Increases

Mr. Howard also pointed out that the values and percentages of common stocks and participations in common trust funds increased over 1958, while the percentages of all other categories of investments decreased or remained relatively the same.

The survey covered personal trusts only—reflecting current values of living trusts, testamentary trusts, guardian accounts, and funds of incompetents. It excluded estates, personal agencies, custody and safe-keeping accounts, pension and profit-sharing trusts, investment advisory and management accounts, corpo-

rate trusts and agencies, unfunded insurance trusts, and the insurance portion of funded insurance trusts.

By far the greatest percentage of personal trust holdings was invested in common stocks, the survey revealed. Of the \$57,175,300,000 in these accounts, \$37,191,300,000, or 65.1%, was invested in common stocks.

A total of \$7,786,500,000, or 13.6%, was invested in state and municipal securities; \$2,552,100,000, or 4.5%, in United States Government securities; \$2,588,800,000, or 4.5%, in corporate bonds and debentures; and the balance of \$7,056,600,000, or 12.3%, in participations in common trust funds, preferred stock, mortgages, and other assets. (Breakdown shown in table below.)

Investment Responsibility Figures

The 116 trust institutions which participated in the survey designated also whether they had sole investment responsibility for the trust accounts reported, or whether they had none or shared it with others. Of the \$24,592,400,000 for which they had sole responsibility, \$14,711,500,000, or 59.8%, was invested in common stocks; \$3,102,200,000,

or 12.6%, in state and municipal securities; \$1,988,200,000, or 8.1%, in participations in common trust funds; \$1,305,000,000, or 5.3%, in U. S. Government securities; and the remainder, or 14.2%, in corporate bonds and debentures, preferred stock, mortgages, cash, and all other assets.

In the accounts for which the trust institution had no investment responsibility or shared it with others, common stocks accounted for \$22,479,800,000, or 69%; state and municipal securities, \$4,684,300,000, or 14.4%; corporate bonds and debentures, \$1,319,900,000, or 4.1%; U. S. Government securities, \$1,247,100,000, or 3.8%; and the balance, or 18.7%, in preferred stock, mortgages, participations in common trust funds, cash, and other assets.

N. Y. Research Firm Collaborated

The A.B.A. survey, conducted under the supervision of the Trust Division's Committee on Statistics, whose chairman is Robert A. Jones, vice-president of Morgan Guaranty Trust Company, New York, was made in collaboration with Alfred Politz Research, Inc., of New York.

Assets in Personal Trust Accounts by Type of Assets

(In millions of dollars)

Type of Asset	1959 Total		1958 Total	
	\$	%	\$	%
Common stock	37,191.3	65.1	30,664.5	61.7
State and municipal securities	7,786.5	13.6	7,791.2	15.7
Participation in common trust funds	2,646.3	4.6	2,122.8	4.3
Corporate bonds and debentures	2,588.8	4.5	2,335.3	4.7
U. S. Government securities	2,552.1	4.5	2,513.1	5.1
All other assets	1,923.1	3.4	1,906.9	3.8
Preferred stock	1,274.2	2.2	1,290.9	2.6
Mortgages	738.1	1.3	671.0	1.3
Cash	474.9	0.8	384.6	0.8
Total	\$57,175.3	100.0	\$49,680.3	100.0



ASSOCIATED PRESS

HEMISPHERE: Fidel Castro's workers' militia guards a seized Shell refinery. Seizure of \$750,000,000 of the \$1-billion U.S. investment in Cuba occurred during one fast moving week in August. Subsequent take-overs brought the total value of U.S. property in Cuban government hands to \$850,000,000



UNITED PRESS INTERNATIONAL

AFRICA: As 18 nations gain independence this year, both peaceful and turbulent adjustments to sovereignty occur on the "dark continent." Congo president, Joseph Kasavubu, left, greets Dag Hammarskjold, UN Secretary-General, right, who arrived with Undersecretary Ralph Bunche, center, to make a personal check on UN forces in the Congo during their attempt to establish order



UNITED PRESS INTERNATIONAL

The Month

ASSOCIATED PRESS

THE NATION: President Eisenhower has formally announced that he will "do everything he can to elect Mr. Nixon and Mr. Lodge," although the Republican campaign is "in other hands." He announced his active campaign support as Republican Presidential candidate Vice-president Nixon continued his state-by-state tour defending the Eisenhower administration record and propounding the party's proposed platform changes. Above, Mr. Eisenhower and Mr. Nixon confer (Mr. Lodge was busy at the UN), while . . .

ASSOCIATED PRESS



. . . North Carolina's Governor Luther Hodges flanked by Democratic running-mates, Senators Kennedy, left, and Johnson, right, answers newsmen at the announcement of his heading a business and professional men's committee for the Democratic candidates

Senator Henry Jackson, Wash., left, Democratic national chairman, and his Republican counterpart, Senator Thruston Morton, Ky., take time out from the legislative battles at the reconvened Congress

Here's news from a new field.

What's going on in

On-the-Job Services

DURING September, the Committee on Credit Unions of the American Bankers Association will launch a campaign to urge and help banks to compete more effectively by providing improved, convenient retail services.

About September 1, each member bank and each member of a state association committee handling credit union and related matters will receive a brief brochure called *On-the-Job Services—A New Dimension in Banking*, and a covering letter announcing the Bank Management Commission's booklet *On-the-Job Bank Services Operating Procedures* and the A.B.A. Advertising Department's How-To-Do-It Kit.

On-the-Job Services—A New Dimension in Banking will briefly explain the basic reasons on-the-job bank services are being initiated; it will describe their advantages and disadvantages; and it will also evaluate their eventual significance to banks, employers, and employees.

On-the-Job Bank Services Operating Procedures will describe practices followed, forms available, and racks or folders used most extensively by banks which have successful programs.

The How-To-Do-It Kit will include: (1) the booklet mentioned above; (2) *How to Sell On-the-Job Bank Services*; (3) a circular describing a rack for displaying material in a plant; (4) a folder explaining to employees the services available; (5) supplemental folders for use in display racks; and (6) convenient order forms.

State committees and other state officials handling credit union, on-the-job services, and related matters are being invited to use these aids in their state or local programs.

The A.B.A. Advertising Department's on-the-job services How-To-Do-It Kit, which will be available about September 15, can be obtained by writing to the Committee on Credit Unions, The American Bankers Association, 12 East 36th Street, New York 16, N. Y.

Encouraging statistics: Deposit Guaranty Bank & Trust Company, Jackson, Miss., offered its "Bank-at-Work" plan to some 120 firms, and received about 80 acceptances within 45 days. Union Planters National Bank, Memphis, Tenn., has established its plan at 100 of the first 120 firms it contacted. Republic National Bank, Dallas, Tex., has done the same at some 100 of its first 115 contacts.

Competitive Information— Credit Union Data

CONSUMER INSTALMENT CREDIT OUTSTANDING, excluding mortgages

(Dollar figures in billions)

Date	TOTAL INST. CREDIT†			PERSONAL LOANS			AUTOMOBILE LOANS			REP. & MODERN. L's		
	Total \$	Held by CUs		Total \$	Held by CUs		Total \$	Held by CUs		Total \$	Held by CUs	
		\$	%		\$	%		\$	%		\$	%
12-31-56	31.9	2.01	6.3	6.96	1.00	14.3	14.5	.74	5.1	1.9	.10	5.2
12-31-57	34.2	2.43	7.1	7.90	1.24	15.6	15.4	.87	5.7	2.1	.12	5.7
12-31-58	31.1	2.67	7.8	8.57	1.46	17.0	14.2	.83	5.8	2.4	.15	6.3
12-31-59	39.5	3.23	8.2	9.95	1.73	17.4	16.6	1.04	6.3	2.7	.18	6.7
1-31-60	39.4	3.23	8.2	9.97	1.73	17.4	16.6	1.04	6.3	2.7	.18	6.6
3-31-60	39.6	3.33	8.4	10.13	1.79	17.7	16.9	1.08	6.4	2.7	.18	6.8
5-31-60	40.7	3.48	8.5	10.39	1.86	17.9	17.5	1.14	6.5	2.8	.19	6.8

† Includes consumer goods paper other than automobile loans which are not shown separately in the breakdown by type. Sources: "Personal," "Automobile," and "Repair and Modernization" Credit Union Holdings: Estimates by Reports, Inc., "Report on Credit Unions." (For Method, see August 15, 1958 Report). All other dollar figures: Board of Governors of the Federal Reserve System, Release G 19, "Consumer Credit." Monthly, Revised.

THESE SIX SCARBOROUGH INSTALMENT LOAN INSURANCE COVERAGES SAFEGUARD YOUR BANK'S ENTIRE CONSUMER CREDIT OPERATION

**CHECK AND MAIL
THIS AD
FOR
FREE LITERATURE**

**CHattel MORTGAGE
NON-FILING INSURANCE**

Ends need to file, record or release chattel mortgages and conditional sales contracts. Pays your losses for not so doing. Follows the property to any of the 50 states and D. of C. You are covered *everywhere* without filing. Drastically lowers clerical overhead. Better protection than filing and generally at less cost. Check square for booklet.

**LENDERS SINGLE INTEREST
AUTOMOBILE INSURANCE**

Protects your loan security when borrower agrees, but fails to carry or renew fire, theft and collision insurance on his automobile. Covers you if policy is cancelled without your knowledge, if policy lacks the loss-payable clause or is voided for technical reasons. Ends the costly, tedious follow-up. Attractive rate. Check square for booklet.

The Non-Filing policy gives you better protection than filing your chattel mortgages in all 50 states. It drastically lowers your operations overhead. So do the Automobile and Boat policies.

The Appliance policy can double your dealer loan business in a single year. The Creditors Group policies protect your loans to the hilt and build strong customer good will. Check the squares, attach this advertisement to your letterhead and mail to Scarborough. Literature by return mail.

**LENDERS ALL RISKS
APPLIANCE INSURANCE**

Reimburses your bank for skips, other losses. Pays full purchase, damage, replacement costs so dealer can resell customer. Banks promoting this feature have doubled dealer business in a single year. Premium usually costs only 1/30 of 1% more than self-insurance. No need now to self-insure. Check the square for booklet.

**LENDERS
BOAT INSURANCE**

Protects your bank if the borrower fails to carry marine insurance as required under the terms of your lending instrument or if the insurance carried is insufficient to cover the loss. Not only covers interest of bank in the property, but also the bank's liability for injury or damage to third persons. Check the square for informative folder.

SCARBOROUGH & COMPANY

BANK INSURANCE

SINCE 1919

FIRST NATIONAL BANK BUILDING
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**CREDITORS GROUP
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Pays your bank the outstanding instalment loan balance upon the borrower's death. Covers loans of every category. Eliminates the unpleasant act of collecting or repossessing from the family, endorsers or cosigners. Loans in default are insured till written off. Easy to include existing or single-payment loans. Check square for booklet.

**CREDITORS GROUP ACCIDENT
AND HEALTH INSURANCE**

Provides adequate loan protection to the bank and borrower in the event sickness or accident incapacitates the borrower. All payments are made directly to your bank for the period of disability covered (based on doctor's reports). For informative folder, check the square above, attach this ad to your letterhead and mail to Scarborough.



The Country Banker

Frequent conferences enable First National officers to keep abreast of current farm lending problems and make policy adjustments as needed. *Left to right*, Vice-president L. C. Pace; President Norman; Vice-president A. B. Durrett; and Assistant Vice-president James W. Fisher. Messrs. Pace and Fisher are the bank's agricultural specialists

Speaking from Experience on

How a Farm Representative Builds Business

EDWARD M. NORMAN

"Today's agriculture demands knowledgeable banking service and farmers will do business with those who provide this service."

Now president of The First National Bank of Clarksville, Tenn., MR. NORMAN originally joined the bank's staff as an agricultural representative.

IN country banks it has become popular to employ agricultural representatives, farm agents, managers of farm service departments, or one of the many other titles applied to bank employees who specialize in agriculture. There are as many ideas concerning their correct use as there are banks which employ them. Their future value to the rural banks will be determined by how they are used and fitted into the banks' customer relations programs. These employees, when prop-

erly utilized, can insure commercial banking a major role in financing the agriculture of the future. By the same token banks can continue to decline in their importance when it comes to agricultural financing by failure to capitalize on the opportunity that lies before them.

The First National Bank of Clarksville has a long and distinguished record of service to its local agriculture. Its thinking had been geared to its farming community. However, the past 10 years have seen a change from 90% of its loans being farm loans to only 30% of all loans being farm loans today. This does not mean that farm business has declined but reflects only the very rapid growth of our business

and industrial communities in the Southeast. Agricultural loans and deposits are still an important factor in the success of the bank and will continue to be for many years to come.

Agricultural representatives have been employed by the bank for more than 20 years. The bank's approach has always been that agriculturally trained personnel have held officer status, without distinction from other officers of the bank. Over this 20-year period the basic activity of these personnel has seen many changes. In the early years they sold diversification through the widely known "Four Pillars of Income" program. Later emphasis was shifted to fertilization. Then came

a tremendous growth in beef cattle population. Now we can say they sell management and its all important role in the success of an individual farming operation.

Please note that each of these activities had as its underlying motive the conduct of the banking business. This is undoubtedly the goal of all banks which employ agricultural representatives. It would seem only proper to achieve this goal as early as possible.

Trends in Agricultural Banking

There are many trends in the First National Bank's trade area that show the need for and point the way to proper utilization of these personnel. These trends are constantly changing and from time to time modify the relationship between the rural bank and its customers.

(1) The loans being made to farmers are larger and there are fewer of them. Therefore, the farm loan portfolio is larger in size but represents loans to a smaller number of farmers. This increases the chance of loss and requires more careful study in closing loans. As the average size of the loan increases, the factors of intent to pay and honesty become overshadowed by the earning capacity of the farm borrower. The bank can no longer guess at earning capacity nor are the potential earnings of a borrower reflected in the hastily prepared financial statement. This earning capacity can only be determined through careful study by qualified personnel.

(2) The capital requirements to produce a dollar of net income become greater each year. As these requirements become greater, the greater the chance of error in closing a loan. Again, only careful study of a farm operation by projected income and expenses can provide proper information to make an intelligent farm loan decision.

(3) More and more production credit is being extended by dealers and suppliers on open account. These dealers and businessmen deposit and borrow from the rural bank. Small production notes once made to individual farmers are replaced by a few large loans to dealers. These loans are dependent for repayment on exactly the same set of conditions as are loans made directly to farmers. In cases where the rural bank is unwilling to make this type

of loan the dealer turns to his company and the large city bank for support. If this demand is not recognized and met by country banks, it can well result in a large portion of agricultural credit being extended indirectly by city banks.

(4) The number of dealer notes taken and discounted is increasing each successive year. This purchase of dealer paper correctly handled offers a convenience to the farmer, dealer, and the bank. Farm machinery, seed, feed, and fertilizer are sold on notes and by contracts discounted to the bank. The purchase of these notes requires the same knowledge and ability as do loans made directly to farmers. There is no reason why this activity cannot be a function of agricultural specialists in country banks.

These trends may be degrees in the vertical integration process. It is not expected however that country banks will wake up and find all their customers with a contract. These indications do however point the way to a change in attitude and a re-appraisal of our way of doing business. There is nothing in these trends that would require a serious overhaul of our public relations or farmer education program. They do make a demand for a well informed, aggressive banking service with qualified lending officers to provide it.

What Do the Customers Want?

The greatest demand on the farm men is to make production, intermediate, real estate, and commercial

loans. This is what the customer demands and should get. The businessman who deals with farmers needs this same service. This activity produces income and fully utilizes the training and ability of the agricultural employee. It enables this man to use his fullest skill to protect the bank in its lending function.

The second greatest demand is to give intelligent advice on the use of capital funds. The choice of an enterprise, or how to apply production resources, is a decision that calls for the qualified judgment of a specially trained employee.

Farmers also ask rural bankers about their personal problems. For example, side investments, wills, legal matters, and potential divorces all find their way to the country banker's desk. The customer expects a sympathetic understanding of these problems.

The Concept

From this background we form a basis for the development of a concept of proper application of the farm man's talents. By the act of hiring a specialist the bank has the problem half whipped. It recognizes that: (1) Its present officers do not have the knowledge required to make modern day agricultural loans; (2) it is losing or will lose business without an outside farm representative; and (3) it needs to attract new business and additional income.

When hiring a trained man the bank announces his qualifications to the public and points up the fact that he has judgment and a knowledge of agriculture. Yet many banks in launching their programs have failed to develop a real goal and end up with the "county agent concept." They include the public relations and farmer education fields but fail to capitalize on their great opportunity to broaden the scope of their banking business. The farm specialist program can produce profit only by increasing loans and deposits. New business is gained only through better banking service. Nothing is gained when a farmer becomes closely involved with a public relations man but is referred to other bank officers when he attempts to secure a loan. From these findings the First National Bank has formed a concept of farmers and agricultural businessmen receiving a complete banking service from agri-

"You'd be surprised how many people forget themselves and leave the small change in the plate"



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culturally trained personnel. To provide less would seem a waste of time for both the bank and its employee.

Making loans is a major effort and a basic responsibility of an agricultural representative. In the employment of personnel, the bank must satisfy itself that it can grant loan responsibility. Small lending authority is mandatory at the beginning to allow the program to work. Unless this is done, public relations will suffer and the bank will fail to make an impression with its program. Small loans to farmers by trained agricultural personnel is not dangerous regardless of their experience in banking. Larger loans may be reviewed by senior officers of the bank; however, the bank should not overlook the importance of letting the officer who takes the application close the loan. An immediate commitment and a flexible lending program are a commercial bank's greatest advantages over its competitors. To fail to capitalize on these advantages would seriously impair the agricultural program.

Training and Promotion

Rural banks do not have the facilities or means to educate fully an agricultural specialist before he enters the field. Of course orientation in internal operations is necessary, but more important are credit files and becoming acquainted with customers. It is the responsibility of the outside man to become familiar with state and national banking laws. Attendance at A.I.B. courses and advanced banking schools is fully justified in view of what we expect an agricultural representative to do. The agricultural representative

must be recognized and supported by the bank's top management. All officers call on the farm man for support in their banking activities. Constant day to day liaison among top management, bank officers, and the farm man is essential to the success of the program. Daily reports and decisions will constantly adjust the program, open new avenues of approach, and establish rapport between management and the employee. Neglect by management will create a feeling of unimportance and result in a loss of initiative and a poor performance by the agricultural man.

Men who are equipped to do this work surely qualify as potential bank officers and promotion toward this end should be made as rapidly as conditions permit. Only when farm men are fully trained bank officers, well versed in all aspects of banking, in addition to being qualified in agriculture, can the bank reap maximum benefit from the program.

The entire concept of bank officers, agriculturally trained, providing a complete banking service to a bank's farm customers is ambitious. But such a fertile field for both the bank and the employee fully justifies the effort required. The bank must attempt to employ the very best man available and in turn use its best effort to make the program work. The First National Bank holds the opinion that unless it expects to achieve maximum benefit it would be wise to leave the program alone. In addition, the employee must have an opportunity that justifies his best effort.

Today's agriculture demands knowledgeable banking service and farmers will do business with those who provide this service.

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a mazing what
you can do with
money"





"If farmers work like dairymen and keep books like poultrymen, they can't fail in Mississippi," says Mr. Gayden.

"OUR BANK HAS HELPED HUNDREDS OF FARMERS MAKE BETTER INCOMES"

—says John K. Gayden, Vice-President,
Deposit Guaranty Bank and Trust Company, Jackson, Mississippi

Deposit Guaranty Bank and Trust Company's service as a corresponding bank helps hundreds of farmers to a higher standard of living. This service, which covers all of Mississippi and several parishes in Louisiana, has encouraged the production of beef, dairy products, hogs, sheep and poultry.

The Bank's service is available to any farmer, regardless of size, if his local bank wants to go along with him on livestock or poultry projects. Deposit Guaranty Bank and Trust Company, which never makes a direct loan in a local bank's area, does the appraising and often carries the big end of the loan, being "last in and first out."

The Bank, as correspondent for more than 200 local banks, is a teammate with numerous Purina Dealers who are playing an important role in the diversification of Southern agriculture.



◀ Tom Lauderdale is the poultry specialist for Deposit Guaranty's Agricultural Department.

* * * *

Deposit Guaranty Bank and Trust Company, through its complete Agricultural Department, has been a powerful influence in establishing livestock and poultry in Mississippi and Louisiana. By filling the income gap brought on by row-crop limitations, livestock and poultry have saved many farmers and have given a lift to business in town. "In eight years," says Mr. Gayden, "our Bank has had but one loss on livestock or poultry."



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NEWS for Country Bankers

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

Cattlemen Top Credit Risks

WRITING in the *Florida Grower and Rancher* on "The Three C's of Credit," J. Carlisle Rogers, president of The First National Bank of Leesburg, Fla., states:

"Our experience with loans to cattlemen has been most satisfactory. In my opinion, a real dyed-in-the-wool cattleman is about tops as a credit risk.

"We try to 'cover the waterfront' in the field of agricultural lending. And if we can't make the loan ourselves, we always try to help the applicant get it somewhere else."

A Platform for Agriculture

THE *Farm Journal* has proposed a "platform for agriculture" calling for less Government in farming and more self-reliance on the part of farmers themselves as a means of solving agricultural problems.

In a recent editorial the *Journal* calls for maintaining some surplus farm supplies in Government stockpiles as reserves against crop failures or need in the case of atomic war. And it points out that the Government cannot get completely out of farming so long as it continues to give "organized labor and some businesses various aid and protections which increase farmers' costs."

The *Journal* believes supports should be used only as stabilizers to protect prices in time of temporary glut—but not as props to hold prices above market levels.

For products in plentiful supply or actual surplus, the *Farm Journal* states: "It makes no sense for the Federal Government to try to shut off production with one hand and on the other spend millions of dollars supplying fertilizer and lime for reclamation, irrigation, and drainage projects" to increase production.

Some surplus can be a national asset, the *Journal* states. "Even in peacetime we need substantial reserve against crop failure. In time of atomic war, such reserve could be the means of survival. We urge that 80% of our present surplus of wheat and corn be set aside as an emergency stockpile."

Price Support Alternatives

"HIGH in the scale of possible alternatives to price supports (which encourage inefficient production on numerous small farms) should be some sort of scheme designed to induce high-cost producers to move out of agriculture and into fields which are less subject to chronic surpluses," said Dr. G. H. Aull, head of the Department of Agricultural Economics and Rural Sociology of Clemson College, Clemson, S. C., before the ninth annual meeting of the Association of Bank Agricultural Representatives in Blowing Rock, N. C.

"Personally, I have felt for a long time," said Dr. Aull, "that farmers (individually and in groups) should, to a far greater degree than at present, undertake many more of the services of processing and handling incident to the final sale of their products to consumers. As a minimum they might seek to acquire substantial equity in some of the firms most directly involved. This is a matter which warrants some study both as to the soundness of the idea and as to the form of organization best adapted to its successful accomplishment."

Continuing, Dr. Aull said that he would add to the foregoing suggestions such things as: "(1) protection against weather hazards on an insurance basis; (2) continuance in the use of storage loans for normal market operations (but not as a basis for long-term price supports); (3) tax policies which favor establishment of industries in rural areas;

(4) modification of laws and regulations which impede interstate commerce; (5) intensification of efforts to increase consumption of farm products; and (6) continued improvement in our land tenure and farm credit policies."

Beef Financing Booklet

THE Canadian Bank of Commerce, Toronto, has done it again. Its newest cartoon booklet designed to stimulate interest on the part of farmers in improving their methods and practices is *Financing Beef for Market*.

Samples of the Canadian Bank's dozen or more cartoon booklets on a wide variety of subjects may be obtained by writing the head office at 25 King Street, Toronto.

Rural Bank Statement Study

"IOWA's rural banks had more loans at the end of 1959 than a year earlier even though deposits had declined," according to an "Analysis of Iowa Rural Bank Statements for December 31, 1959," made by the Department of Economics and Sociology of the Iowa State University. "To meet this unfavorable situation, the rural banks reduced their holdings of cash and U. S. securities," said the report. "At the close of 1959, Iowa's 534 rural banks still had a substantial secondary reserve of U. S. securities, equal to 32% of their deposits."

This study includes a number of tables and charts giving a comparative summary of the December 31 statements submitted by Iowa's rural banks.

4-H Fund Campaign

THE \$600,000 financial program for 1960 in behalf of 2,225,000 4-H Club members has been launched by the National 4-H Sponsors Council. The funds being sought are for the

support of the activities of the National 4-H Club Foundation.

The banking industry's campaign chairman is Jesse W. Tapp, chairman of the board, Bank of America, Los Angeles, Calif.

Nebraska Credit Folder

THE Agricultural Committee of the Nebraska Bankers Association has recently issued a 10-point, illustrated folder entitled "Agricultural Bank Credit." Points covered include:

- (1) Get Your Credit from Specialists;
- (2) Keep Your Credit in One Place;
- (3) Take an Annual Inventory;
- (4) Plan to Repay Loans out of Operating Income;
- (5) Plan Ahead on Your Credit Needs;
- (6) Use the Right Kind of Credit;
- (7) Work out a Repayment Plan for Every Loan;
- (8) Meet Your Payments When Due;
- (9) Be Frank with Your Banker; and
- (10) Borrow to Make or Save Money.

More Profit in Lean Hogs

HOG producers who continue to raise the old-style, lard-type hog are missing out on a profit opportunity to "raise 'em for less and sell 'em for more," a poll taken by *National Live Stock Producer* shows.

"Packers' interest in paying producers more for meaty hogs stems directly from consumer resistance to fat pork," the survey showed.

USDA Food-for-Peace Kit

AN information kit on the U. S. Department of Agriculture's Food-for-Peace program includes fact sheets on these subjects: "Agricultural Export Volume Sets New Record"; "How Hungry Is the World?"; "Work of the Voluntary Agencies in Foreign Donation Programs"; "Famine Relief and Other Assistance"; "How Other Free World Countries Assist with Agricultural Supplies"; "FAO's Freedom-from-Hunger Campaign"; and "How Food Helps to Finance Economic Development."

Copies of the kit may be obtained from Press Service, Office of Information, Room 403-A, U. S. Department of Agriculture, Washington 25, D. C.

The USDA has also issued Agricultural Information Bulletin No. 220, *Food for the Future—through Research*, copies of which may be

obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C., at 25 cents a copy.

An Appraisal of Government Agricultural Policy

WRITING on the *Economics of the Farm Problem* in the August 1960 issue of *Commentary Magazine*, Asher Brynes, formerly a confidential assistant (representing the nonfarm viewpoint) to Ezra Taft Benson, refers to him as "the conservative Secretary of Agriculture who will probably be remembered as the man who spent the most money, most unwillingly, in all the long history of the United States."

"As an industry," writes Mr. Brynes, "agriculture is now in a very strong position. Its total assets are up 300% above 1940, the value of farm land has increased by 400%; the average worth of a commercial farm is \$135,000; and the average net income of commercial farm operations, from farming, is \$7,200 per annum. As for that traditional in-

The lobby of the South Carolina National Bank, Anderson, S. C., serves as a useful public relations medium. Customers take turns displaying their wares, such as automobiles, tractors, furniture, airplanes, etc., and the bank projects colored slides on a rear view projection screen, showing dairy herds, farm operations, and gardens of garden club members. The picture below shows an air line exhibit, with a manikin sunning herself, *extreme right*. In the foreground is Beatrice Clamp, *seated*, and Emily Chamblee, *standing*, holding a water ski. Both Miss Clamp and Miss Chamblee are bank employees



indicator of trouble, the foreclosure rate, it was 16 per 10,000 farms last year; at the same time the comparable bankruptcy rate for all non-farm businesses was 52, or three and a half times higher."

In a discussion of the money appropriated by Congress in the current Agricultural Appropriations Bill, Mr. Brynes states:

"The amount directly budgeted by Congressman Whitten's subcommittee . . . for price insurance ('stabilization') was \$3,000,000,000 and the line budget item for Federal crop insurance was \$6,300,000, that is, about one five-thousandth part of the former.

"Yet Federal money is still spent on agriculture as if the industry were seriously ailing. Last year the total net farm income of all farmers, from farm operations, was \$11-billion. At the same time the Federal expenditure on agriculture was about \$6-billion, which means that it cost the people of the United States more than 55 cents to enable our farmers to earn a dollar—more, since in this computation no allowance has been made for state expenditures in behalf of farming . . ."

Federal Supports

In the *Commentary* article, Mr. Brynes discussed farm Federal support at some length, stating:

"A relatively small number of prosperous commercial farms, not the more numerous needy, get the lion's share of public support. Nobody likes to talk about it . . . , but we have a large farm population of older people, and of insufficiently endowed, under-educated, poorly capitalized, and generally unequipped and under-implemented farmers clinging to the scratch-lands of America. The Department of Agriculture has only just begun to tell them what else to do, where else to go. About a million dollars of Federal money (a mere one six-thousandth of the total farm budget) was devoted to that purpose last year. This year the Administration asked that the allocation for this purpose be tripled to one two-thousandth."

Mr. Brynes said that "at the present time the total direct USDA loans to farmers or to agencies performing services for farmers, exclusive of loans guaranteed by the Department, is \$17-billion. The Department's interest charges are invariably lower

than those of any other lender, and the collateral it will accept is often of dubious value. To take one instance, the Commodity Credit Corporation, the price-support subsidiary of the Department, has a lending authority of \$14.5-billion and an inventory of forfeited collateral for which \$7.2-billion was paid. The carrying charges (interest, transportation, and storage costs only) on this and \$2-billion of additional price-support loans not yet in default, are \$1.25-billion annually, or \$3,500,000 every day."

Decatur Bank Appoints New Farm Management Staff

THE Citizens National Bank of Decatur, Ill., announced recently the promotion of Raymond H. Eichelberger to assistant farm manager, and the addition of two new farm supervisors, Donald E. Bolin and Ralph L. Forrest. President John H. Crocker said that this expansion is necessary due to the continued growth of farm management work by the bank. George Slater is the

bank's vice-president and farm manager.

Mr. Eichelberger joined the bank in 1953 as a farm supervisor. He graduated from the University of Illinois in 1952 and in 1959 passed examinations given by The American Society of Farm Managers and Rural Appraisers to become an accredited farm manager. For six years prior to entering the university, he farmed in partnership with his father.

Donald E. Bolin is a 1946 graduate of the University of Illinois. His experience includes one year as a field representative with Swift & Company; four years as a vocational agricultural teacher; and 10 years of farming.

Ralph L. Forrest obtained his B.S. degree from the University of Illinois in 1952 and received his M.S. degree in 1960. Prior to joining the bank, he served four years as a U. S. Air Force officer; two years as assistant Richland County advisor; and two years on the University of Illinois staff performing farm cost studies.

Walter W. McLaughlin, who recently retired as head of the bank's farm department, will continue with the bank as agricultural consultant.

(CONTINUED ON PAGE 154)



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Pension Trust Conference to Discuss Mortgage Investments

PENSION fund trustees will be shown ways and means by which they can invest in and service or handle mortgage loans at a special Pension Trust Conference to be sponsored by the Mortgage Bankers Association at the Hotel Commodore in New York on September 16.

Representatives from the industry will illustrate every phase of mortgage investment in an effort to convince pension fund managers that mortgage loans are as adaptable for pension fund investments as are bonds and equities. MBA points out that until now only a small part of pension fund investments, less than 2%, has been in mortgages, servicing being the barrier. The industry has succeeded, according to MBA, in eliminating the barriers and now mortgages, it feels, can be purchased by pension funds as easily as any other type of securities.

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Agricultural Lending During the 60s

The above title will be the theme of the A.B.A.'s National Agricultural Credit Conference in Denver

THE theme for the National Agricultural Credit Conference will be "Agricultural Lending During the 60s." The Agricultural Commission of the American Bankers Association is sponsoring the conference and it will be held on November 14-15 at the Denver Hilton Hotel in Denver, Colo.

The program, now nearly complete, was announced by John H. Crocker, chairman of the commission, who is chairman and president, Citizens National Bank, Decatur, Ill.

The conference features addresses, panels, and discussion groups. There will be morning, afternoon, and evening sessions on the first day, and morning and luncheon sessions on the final day.

The meeting, designed to be of real practical help to bankers in agricultural areas, will again present experts in the field, including bankers, agricultural economists, nationally known educators from agricultural colleges, a journalist, and successful ranchers.

Seven Bull Sessions

The discussion groups, or "bull sessions," will be devoted to the topic, "Meeting Agriculture's Credit Needs." There will be seven of these groups, with two leaders for each.

A tour has been planned for the conclusion of the meeting by the

banks of Weld County. The bankers will visit the agricultural area surrounding Greeley, Colo., which combines the raising of potatoes and truck crops with general farming, sugar beets, and cattle feeding in one of the most productive agricultural areas in the country. Eleven banks in the county are sponsoring the tour, which will visit points of historic interest as well as observing diversified types of agriculture.

Educational displays, conducted by BANKING, Journal of the American Bankers Association, will feature equipment, products, or services of interest to agriculturally minded bankers.

The program for the two days follows:

Morning Session

Monday, November 14, 9:15 A.M.

Presiding, Chairman Crocker.

"Agriculture in the 60s," by Dr. George L. Mehren, chairman, Department of Agricultural Economics, College of Agriculture, University of California, Berkeley.

"Banks' Position in Agricultural Lending," by Raymond J. Doll, agricultural economist, Federal Reserve Bank of Kansas City, Mo.

"Future Role of Correspondent Banking in Agricultural Lending," by Roger Cunningham, vice-president, First Continental National Bank and Trust Company, Lincoln, Nebr.

"Rural Credit Unions," by Carl E.

Bahmeier, Jr., executive manager, California Bankers Association, San Francisco.

Afternoon Session

2 P.M.

Presiding, Del Crouse, executive vice-president, The Stockgrowers State Bank, Worland, Wyo.

"Meeting Agriculture's Credit Needs," by Dr. G. B. Wood, head, Department of Agricultural Economics, Oregon State College, Corvallis.

Bull Sessions

3 P.M.

THEME: "Meeting Agriculture's Credit Needs"

Coordinator, Dr. T. R. Timm, head, Department of Agricultural Economics and Sociology, Texas A. & M. College, College Station.

DISCUSSION leaders include: Kenneth G. Braley, president, Farmers Exchange Bank, Cherokee, Okla.; Art Bralley, vice-president, The American National Bank of Amarillo, Tex.; Richard H. Clark, assistant vice-president, Walker Bank & Trust Company, Salt Lake City, Utah; R. J. Emerson, assistant vice-president, Agricultural Loan Section, Bank of America N.T. & S.A., San Francisco; Hoy B. Etling, vice-president, The Fidelity State Bank, Garden City, Kans.; Linton C. Lull, president, The Smith County State Bank, Smith Center, Kans.; Charles P. Moore, vice-president, The

(CONTINUED ON PAGE 106)

John H. Crocker



G. B. Wood



Leonard N. Burch



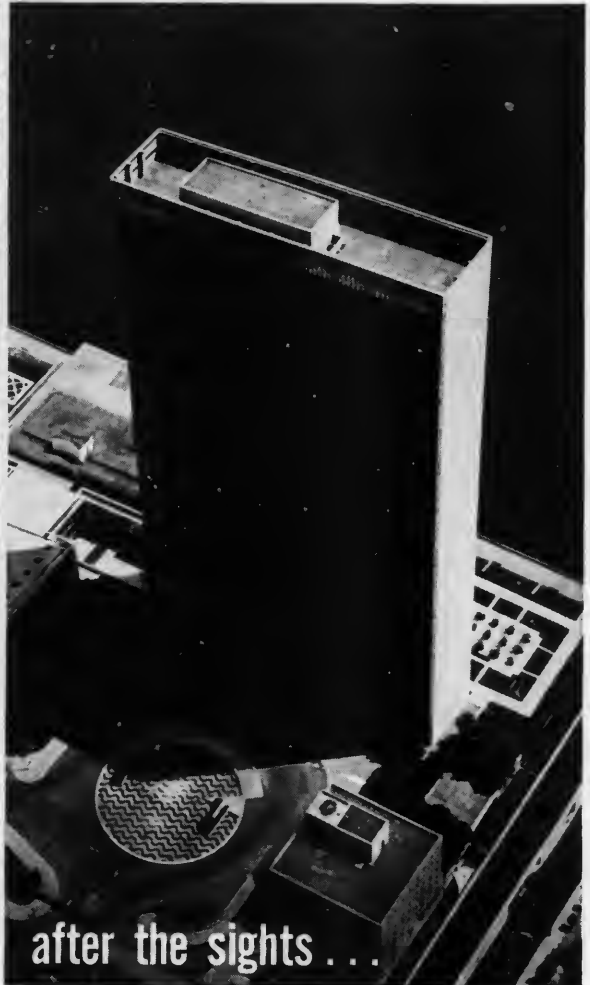
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(CONTINUED FROM PAGE 104)

Great Falls National Bank, Great Falls, Mont.; Roy J. Neider, vice-president, Idaho Bank and Trust Co., Pocatello; C. H. Patten, vice-president, Valley National Bank, Phoenix, Ariz.; Donald B. Peterson, president, The Commercial Bank of Salem, Oreg.; C. K. Skinner, Jr., assistant vice-president, Colorado National Bank, Denver; Robert L. Voss, vice-president, First National Bank, Fremont, Nebr.; C. W. Means, vice-president, Stock Yards National Bank, Omaha, Nebr. An additional leader to be announced.

Dinner Session

6:30 P.M.

Presiding, Mr. Crocker.

Address by a speaker to be announced.

Morning Session

Tuesday, November 15, 9 A.M.

Presiding, Harry W. Schaller, president, The Citizens First National Bank, Storm Lake, Iowa.

"The Water Problem," by Wayne D. Criddle, state engineer, The State of Utah, Salt Lake City.

"What's Ahead in Washington?" by Paul Martin, bureau chief, Gannett News Service, Washington, D. C.

"What's Ahead with Livestock?"—Panel discussion moderated by Leonard N. Burch, president, The First National Bank, Greeley, Colo. Panel members: Reed C. Culp, partner, Culp & Sons Sheep Company, Salt Lake City; Martin R. Domke, Greeley, Colo.; A. F. Leathers, manager, Swift & Company, Denver, Colo.; C. W. McMillan, executive vice-president, American National Cattlemen's Association, Denver; and John M. Shonsey, executive vice-president, The Omaha (Nebr.) National Bank.

Luncheon Session

12:30 P.M.

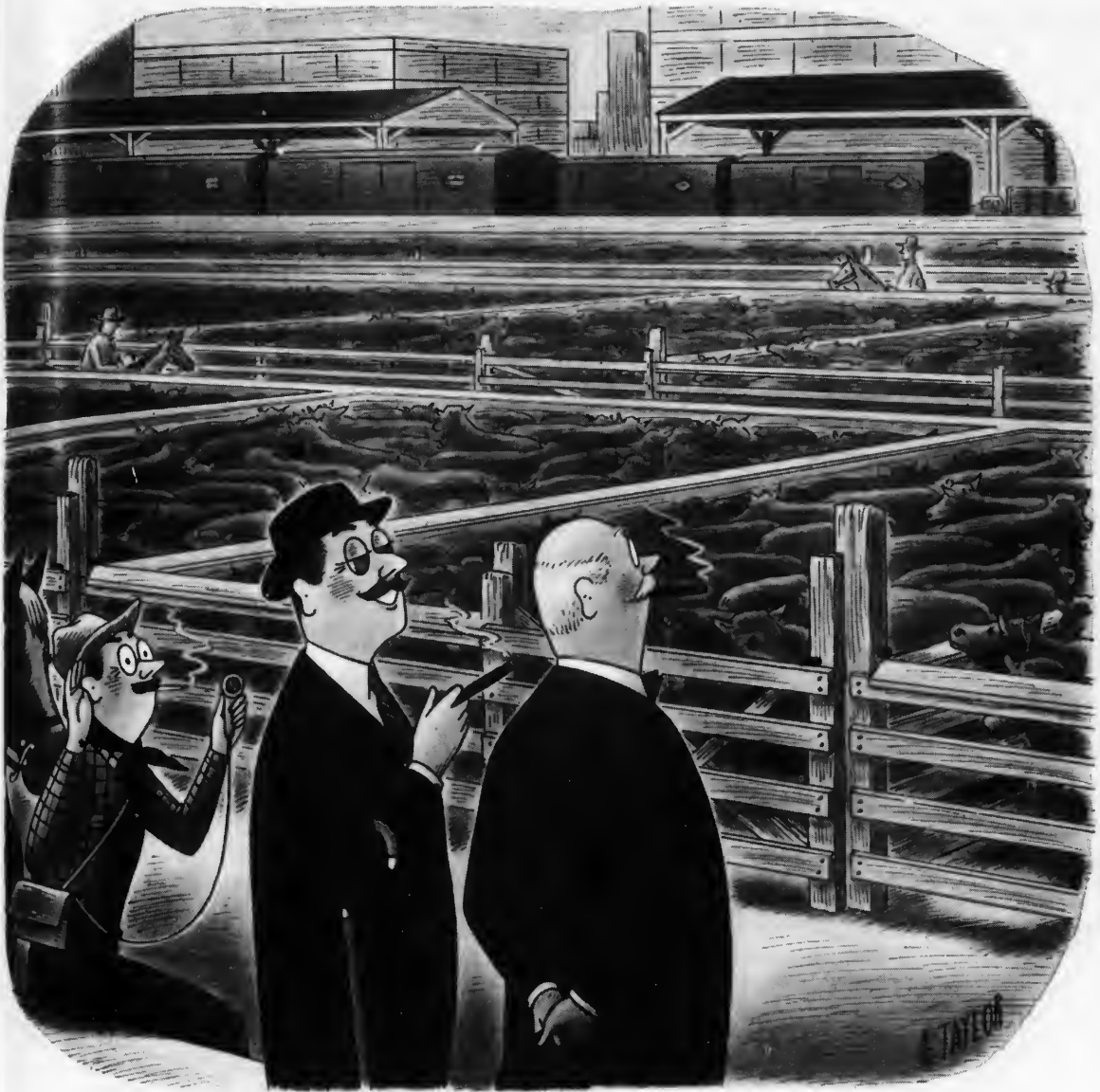
Presiding, Mr. Crocker.

"Facts and Frills in Farm Finance," by Dr. Earl L. Butz, dean of agriculture, Purdue University, Lafayette, Ind.

A beautiful blonde in an office may not be able to add, but she can certainly distract.

Poverty is not a disgrace, but name anything else in its favor.

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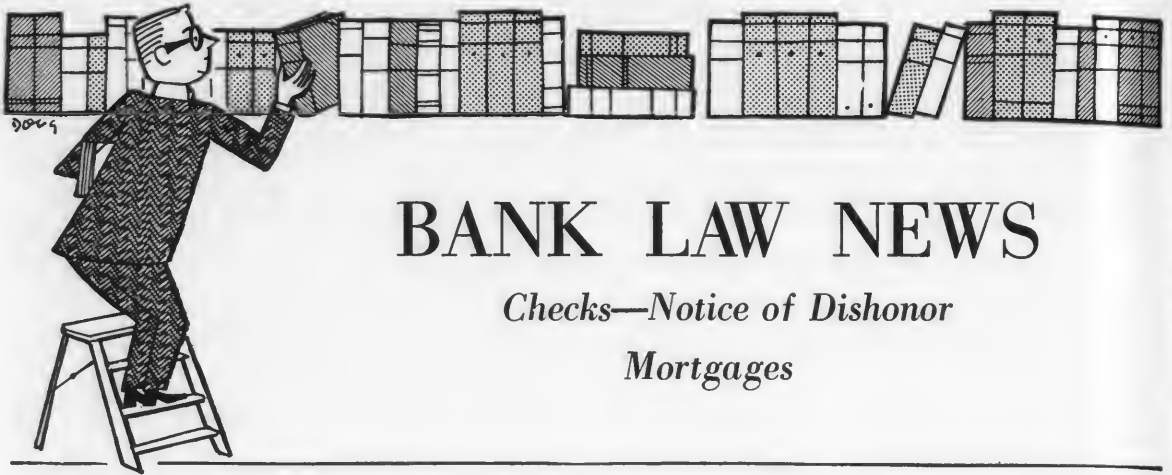
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BANK LAW NEWS

Checks—Notice of Dishonor

Mortgages

CHECKS

A check does not operate as an assignment of funds on deposit even in hands of holder in due course.

Prior to the enactment of the Uniform Negotiable Instruments Act, there was a conflict of opinion as to whether a check operated as an assignment of funds on deposit. In some states it was held that a check, upon delivery to the payee, operated to transfer or assign to the payee the amount for which the check was drawn and rendered the drawee bank liable to the payee or subsequent holder for that amount.

The Illinois Supreme Court, for instance, in *Munn v. Burch*, 25 Ill. 35, decided in 1860, ruled that the delivery of a check by a drawer transferred to the holder so much of the funds on deposit as were called for by the check.

Illinois adopted the U.N.I.A. in 1907. Section 188 of the Illinois Act

provides that a "check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank, and the bank is not liable to the holder, unless and until it accepts or certifies the check."

The question raised in a recent Illinois case was whether §188 applied where the holder of a check was a holder in due course.

The plaintiff bank had cashed a check for the payee and when the check was presented to the drawee, payment was refused because, although there were sufficient funds on deposit, the drawer had stopped payment.

The plaintiff bank sought to recover the amount of the check from the drawee. The plaintiff conceded that §188 had effected a change in the rule of *Munn v. Burch* and that a drawee was not liable to a "mere holder" of a check unless and until the check was accepted or certified. However, contended the plaintiff,

§188 did not apply where the holder of a check was a "holder in due course."

In reversing the trial court's judgment for the plaintiff bank, the appellate court stated that there was no doubt that the rule of *Munn v. Burch* gave way when the U.N.I.A. was adopted. The court stated that the term "holder" in §188 is not qualified in any way; it is a general term which includes "holder in due course"; and there is no indication that the legislature intended to except holders in due course from the provisions of §188. *South Chicago Savings Bank v. Drexel National Bank* (Ill. App.) 164 N.E. (2d) 503.

NOTICE OF DISHONOR

Notice of dishonor sent by certified mail is sufficient compliance with Uniform Negotiable Instruments Act although notice is not received.

The holder of a dishonored negotiable instrument must give prompt notice of dishonor to those secondarily liable. Sections 96 and 105 of the Uniform Negotiable Instruments Act provide that the notice may be given by mail and, if properly addressed and deposited in the post office, the sender is deemed to have given due notice notwithstanding any miscarriage in the mails.

In a recent Massachusetts case, the notice of dishonor had been sent by certified mail, return receipt requested, properly stamped and addressed to the home of the endorser of dishonored promissory notes. He

(CONTINUED ON PAGE 110)

Question Box

A BANK customer had \$3,080.56 in his checking account. He drew a check for \$9,700 against the account. The bank agreed to certify the check for the payee in reliance on the payee's oral promise to honor a \$7,200 draft drawn by the customer on the payee and deposited with the bank. The bank paid the \$9,700 check, but the \$7,200 draft was not honored by the payee. Can the bank recover on the draft?

The Wisconsin Supreme Court ruled that there could be no recovery on the draft because an oral acceptance does not bind the acceptor even in favor of one to whom it is directly communicated. However, the court rendered judgment for the bank for \$6,613.44, the difference between the \$9,700 check and the \$3,080.56, the amount on deposit when the bank certified and paid the check. To permit retention of this amount would be inequitable. Home Savings Bank v. General Finance Corp. (Wis.) 103 N.W. (2d) 117.

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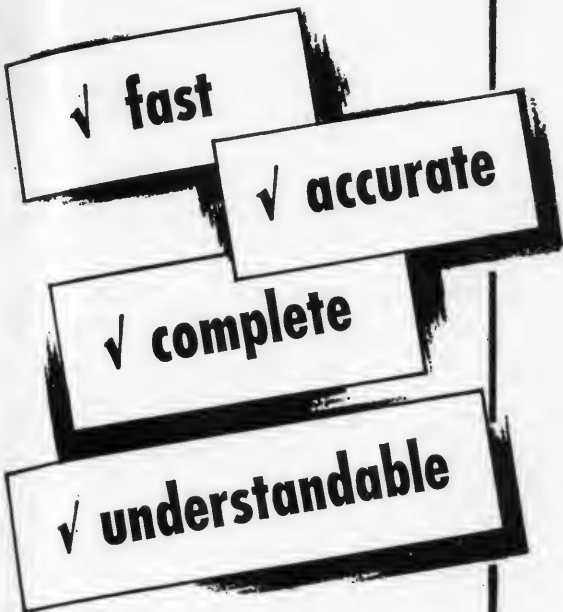
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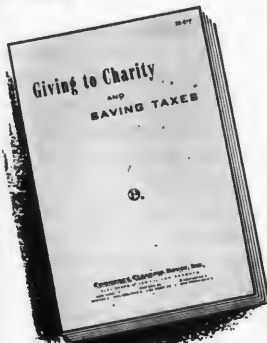
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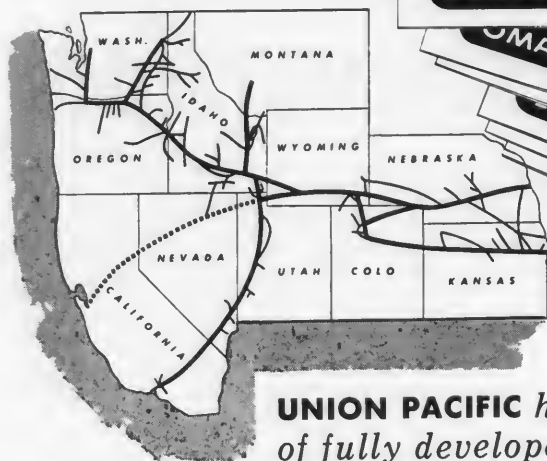
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(CONTINUED FROM PAGE 108)

was out of the country at the time and the letter, unopened, had been returned by the post office with the notation, "refused," across the face of the envelope.

The endorser contended that the sending by certified mail of a notice of dishonor not received by him was not sufficient to charge him with liability. He also argued that regular mail should have been used because such mail might have ensured delivery.

The Supreme Judicial Court of Massachusetts decided that the notice was sufficient. Section 105 of the Act makes "reasonable use of any form of first class mail (not excluding registered or certified mail) for a properly addressed notice of dishonor the equivalent of actual notice." That the use of ordinary mail might have ensured delivery was completely irrelevant, said the court. *Durkin v. Siegel* (Mass.) 165 N. E. (2d) 81.

MORTGAGES

A mortgage is presumed paid where, for over 20 years, there were no payments on the mortgage and no attempts were made to collect.

A presumption of payment from lapse of time may arise with respect to a debt secured by a mortgage. Generally, 20 years is the period adopted, and the presumption arises where the mortgagor has remained in possession of the property without making any payment on account, or an acknowledgment, of the debt.

The presumption of payment after a lapse of 20 years, said the Pennsylvania Supreme Court recently, is a strong one and "is favored in law as tending to the repose of society, the protection of the debtor, and the discouragement of stale claims."

It may be rebutted only by clear, satisfactory, and convincing evidence that the debt has not been paid, or by "proof of circumstances tending to negative the likelihood of payment and sufficiently accounting for the delay of the creditor."

The mortgage involved in this case had been executed and delivered in 1928 to the plaintiff association. It was for \$10,000 and was subject to a first mortgage also in the sum of \$10,000.

In 1933 the plaintiff became insolvent, the shareholders voted a voluntary liquidation, and liquidating trustees were elected. Thereafter, no demand for payment of either principal or interest was made on either the original mortgagor or on defendant, to whom the property had been transferred.

The books of the liquidating trustees indicated that the mortgage was written off as a loss in 1935 and the records of the Pennsylvania Banking Department, under whose supervision the liquidation proceeded, showed that the mortgage was written off as having no value in 1936. The first mortgage was paid and satisfied in October 1950.

Sometime in 1958, it came to the attention of defendant's attorney that the mortgage was still outstanding, never having been satisfied of record. He inquired of the trustees concerning the status of the mortgage. Thus alerted, the surviving liquidating trustees brought this action to foreclose the mortgage.

They testified that the only attempt made to collect plaintiff's assets was by letters to its debtors between 1933 and 1935; that as to this mortgage, foreclosure was precluded by the first mortgage for \$10,000 which, coupled with several years' taxes due at the time, would have resulted in no equity for plaintiff. They also testified that no payments had been received by them and that they had made no demand for payment.

The court held that the "facts and evidence presented herein are, under the law, insufficient to rebut the presumption of payment of this mortgage." Further, the trustees had not sufficiently accounted for the delay in failing to collect on the alleged mortgage indebtedness. The trustees were ordered to mark the mortgage satisfied. *Northeast Alumni B. & L. Ass'n v. Schreiber (Pa.) 158 Atl (2d) 773.*

Taxation. A New Jersey corporation engaged solely in lending money on the security of second mortgages on real property is taxable, under the New Jersey Financial Business Tax Law, Stat. Anno. §54:10B-1 et seq., as a mortgage financing business or as "any other enterprise employing moneyed capital coming into competition with the business of national banks." *Morris & Essex Invest. Co. v. Director of Div. of Taxation (N.J.) 161 Atl. (2d) 491.*



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..... *Trends in Mortgage*

THEODORE VOLCKHAUSEN

High Yields Available

During the past year members of the American Bankers Association have repeatedly been advised by their Savings and Mortgage Division that, because of the high yields available, mortgage loans made in this period should be particularly desirable. Deplored is the fact that, while over 90% of the commercial banks in the country handle savings and time deposits, only 40% make mortgage loans.

Despite such urgings, few additional commercial banks are entering the mortgage field. They have not seen fit to branch into other fields of lending during a period of heavy demand for business and instalment loans, particularly into loans which will tie up their available funds for a so much longer period and which, for so many of them, will involve the expenses of opening new departments.

Bank Participation in Mortgages

Nevertheless, an excellent case can be made for the entrance of presently inactive commercial banks into the mortgage field. As has been pointed out at various A.B.A. meetings, mortgage financing is a service needed by communities which the banks serve. Yields, despite some downward adjustments which have taken place in the last two months, are still close to their postwar peaks and compare quite favorably with the returns available on instalment loans in highly competitive areas.

Long-Term Outlook

Also to be taken into consideration is the long-range investment outlook. Having a proportion of a bank's assets in long-term loans such as mortgages will prove a decided advantage during the period—which must sooner or later come—when the money flowing in from shorter-term loans cannot so favorably or so immediately be re-invested. It appears logical to ask, "Why not acquire these long-term loans at the time when yields are most favorable?"

Two recent developments appear to make such a course even more logical.

Individual Ownership of Mortgages

First is the fact that individuals may now buy FHA-insured mortgages from properly authorized institutions. It may be a shorter time than most people think before mortgage lenders are doing a profitable business along these lines. In fact, because the yield to the individual can be a full point higher than he realizes on other investments, it may be a service which he will demand—and if he does, he is likely to favor the institution which offers it with his other business.

It is believed that these added prospective customers for mortgages will, when

Lending

Editor, *Bankers Research*, a newsletter

properly promoted, prove to be a strong asset to the secondary market—they will widen it, help to stabilize it. This can prove valuable during periods when it becomes desirable to sell some mortgages, particularly for the smaller institution which does not have a big enough portfolio to offer large blocks of mortgages through ordinary secondary market channels.

A More Stabilized Secondary Market

Second—commercial banks newly entering the mortgage field or deciding on a course of expansion are likely to find a more cordial reception among more mortgage originators than might have been the case a year ago. **The desirability of a wider and more diversified list of customers is being emphasized in mortgage banking circles these days.** Some have found that placing too great dependence on only a few major investors leads to occasional feast or famine situations. Some are under pressure from certain large investors to cut mortgage servicing fees to a point which they feel will be unprofitable. These should be glad to take on small accounts in the hope they will later develop into more profitable business.

Competition for Mortgages

It is possible that for some of the banks considering entering the mortgage field, the secondary market might be the best way to break into it under present conditions. Right now the competition for local loans, conventional loans in particular, has seldom been keener. In a market like this neither the new entry in the field nor the lender with a small portfolio is in a position to compete in respect to terms and, possibly, in respect to credit standards with the lender who already has a large well balanced mortgage portfolio.

Opportunities in the Secondary Market

Such local competitive situations are also playing a big part in causing smaller banks to steer clear of mortgages during this period of high yields. Even if they want, they cannot compete on terms with the mutual institutions when it comes to conventional mortgages. Perhaps, therefore, a partial answer does lie in getting into mortgages initially through the secondary market — tying in with reliable servicing sources. As this is written, investors are still able to obtain yields of 5.5% to 6% on secondary market FHA and VA loans after a ½-point servicing fee is paid.

Our own contacts with experienced investors in the mortgage market make it clear **the majority is convinced that the longer they put off acquiring mortgages or making commitments to acquire them, the lower must be the yield for which they will have to settle.** On this basis some are going farther than their inflow of money would appear to justify. They are evidently prepared to sell more Government bonds if hopes for increases in savings do not materialize.

High Yields May Not Last

BANKING NEWS

44 States Were Represented at A.B.A.'s National Trust School at Northwestern U.

On Aug. 26 Dr. J. Roscoe Miller Gave Commencement Address

Two hundred and eighteen bankers comprised the student body at the first annual session of The National Trust School, which closed its three weeks of classes on August 26 on the campus of Northwestern University in Evanston, Ill.

The men came from 44 states, Canada, Puerto Rico, and Venezuela. They ranged in age from 22 to 60 and represented banks in every size group. They all studied "fundamentals of trust business," later majoring in either "trust administration" or "trust new business" as taught by a faculty of 65 bankers, lawyers and jurists, accountants, professors, and representatives of governmental supervisory agencies.

One-Time Attendance

The National Trust School is sponsored by the Trust Division of the American Bankers Association. A.B.A. Deputy Manager Robert G. Howard is secretary of the Division and the director of the school for this session was Joseph H. Wolfe, vice-president and trust officer, Merchants National Bank of Boston. The new school, designed for one-time attendance, was conceived to fill the gap between the courses of the A.I.B. and those of The Stonier Graduate School of Banking.

Dr. J. Roscoe Miller, president of Northwestern University, addressed the commencement exercises. Invocation and benediction were delivered by Dr. Ralph G. Dunlop, the University's chaplain. Richard P. Chapman, president of Merchants National Bank of Boston and chairman of the board of regents of The National Trust School, awarded certificates to the students. The charge to the class was delivered by Charles W. Hamilton, president of the A.B.A. Trust Division and senior vice-president and trust officer, The National Bank of Commerce, Houston, Tex.

With the Photographer at the A.B.A.'s National Trust School at Northwestern University, Evanston, Ill.



Banker-educator teamwork spells success at the National Trust School, sponsored by the Trust Division of the American Bankers Association, August 8-26. *Left to right, Willard H. Pedrick, professor of law and member, Trust School faculty; Joseph H. Wolfe, school director and vice-president and trust officer, The Merchants National Bank, Boston; Robert G. Howard, school registrar and secretary, A.B.A. Trust Division; and William C. Bradford, associate dean of faculties and dean of summer session, Northwestern U., who serves as associate director of the A.B.A. school*



Gilbert T. Stephenson, Pendleton, N. C., a former president of the A.B.A. Trust Division and school faculty member, leads discussion while lunching with students. *Clockwise around table from left are William W. Huffman, The Citizens & Southern National Bank of South Carolina, Charleston; Philip M. Browning, Jr., Pittsburgh (Pa.) National Bank; Mr. Stephenson; Townsend N. Treese, Pittsburgh (Pa.) National Bank; Peter J. Fisher, Chicago City Bank & Trust Company; and Alfred H. Taylor, Jr., Harris Trust and Savings Bank, Chicago*

A.B.A. Makes Report to Commission on Money and Credit

The American Bankers Association has submitted to the Commission on Money and Credit a summary, conclusions, and recommendations regarding ways in which financial institutions may be strengthened in

order that they may more effectively finance the nation's future economic growth.

The various studies underlying the summary, conclusions, and recom-

(CONTINUED ON PAGE 118)

Bankers, Educators, and Government Authorities to Speak at Mortgage Workshop Held in Boston on Oct. 23-25

The Fourth Regional Mortgage Workshop under the sponsorship of the Department of Mortgage Finance of the American Bankers Association will be held at the Sheraton Plaza Hotel in Boston, October 23-25, 1960. The meeting will attract participants from Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, and Pennsylvania, according to Dr. Kurt F. Flexner, director of Mortgage Finance of the A.B.A.

General chairman of the 3-day workshop will be Louis S. Finger, president, Andover (Mass.) Savings Bank, and 1959-60 president of the A.B.A. Savings and Mortgage Division.

Sunday, October 23, will be devoted to registration and reception of the conferees. The Workshop gets under way on Monday morning, October 24, with addresses on "The New Competition—Threat or Challenge," by Dr. Flexner; "Mortgage Investments in Pension and Trust Funds," by William F. Keesler, senior vice-president, The First National Bank of Boston; and "The Mortgage Market Outlook," by Dr. John Lintner, professor of business administration, Harvard University.

A forum on "A Positive Approach to Competitive Problems" is scheduled for Monday afternoon. Panelists are: Harry Held, senior vice-president, The Bowery Savings Bank,

New York; Robert M. Morgan, vice-president and treasurer, Five Cents Savings Bank, Boston; D. C. Sutherland, senior vice-president, Bank of America N.T. & S.A., San Francisco; and Joseph B. Graves, executive secretary, Voluntary Home Mortgage Credit Program, Washington, D. C. Dr. Flexner will serve as moderator.

Three Seminars on October 25

There will be three seminars on Tuesday, October 25: (1) "Problems of Buying and Selling Mortgages in the Secondary Market"; (2) "Maintaining a Profitable Mortgage Portfolio"; and (3) "Current Money Market Problems." The seminar leaders are: N. Preston Breed, vice-president, Second Bank-State Street Trust Company, Boston; J. E. Brucklacher, president, Cumberland County National Bank and Trust Company, New Cumberland, Pa.; David L. Currier, vice-president, National Shawmut Bank, Boston; Stetson C. Edmunds, executive vice-president, Rutland (Vt.) Savings Bank, Rutland; Richard H. Gaylord, president, Northfield (Vt.) Savings Bank.

Also C. Frederick Goodwin, vice-president and mortgage officer, Waterbury (Conn.) Savings Bank; Darwin S. Harter, executive vice-president, The Pennsylvania National Bank and Trust Company, Pottsville, Pa.; William C. Langley, vice-president, Middletown (Conn.) Savings

\$234-million on Deposit in 6,341,000 School Bank Accounts in 1959-60

School children achieved an all-time high of money on deposit in school savings accounts at the close of the 1959-60 school year, according to the American Bankers Association. A report shows that 6,341,000 school children representing 17,000 schools had \$234,620,000 on deposit.

The figures are from a survey conducted by the Committee on Youth Thrift Education of the A.B.A.'s Savings and Mortgage Division. Jean M. Turano, assistant to the president of the Trenton (N. J.) Saving Fund Society, is chairman of the committee.

The total of \$234,620,000 cannot be said to be all that the school savers have on deposit, Miss Turano points out, since many banks automatically transfer school savings into regular accounts when the balance reaches a certain amount, such as \$5 or \$10.

The survey showed that total accounts gained 4.7% over the previous year, while the amount on deposit rose by 8.4%. Interest paid on these accounts amounted to \$3,700,000.

The total number of banks active in school savings is 795 in 39 states. During the school year, 300 banks distributed 1,250,000 copies of the A.B.A.'s *School Saver*.

Bank; Edward J. Lehan, assistant vice-president, Connecticut Bank and Trust Company, Hartford; John G. Mont, treasurer, Naugatuck (Conn.) Savings Bank; Horace B. Shaw, Jr., executive vice-president and treasurer, Burlington (Vt.) Savings Bank; Harold S. Spelke, senior vice-president, The National Bank and Trust Company of Fairfield County, Stamford, Conn.; and Richard P. Zimmerman, president, The Valley National Bank, Chambersburg, Pa.

Clyde S. Casady, executive vice-president, Savings Banks Association of Massachusetts, and Edward R. Tufts, executive vice-president, Massachusetts Bankers Association, will serve as co-chairmen of the attendance committee for the workshop. Executive vice-presidents or executive secretaries of the other states of the conference area are expected to serve on the committee.

National Trust School students listen intently as Director Wolfe explains the goals of the school at an assembly session. (Story and additional pictures may be found on the opposite page.)



Carl A. Bimson and Milton F. Darr, Jr., Will Speak at Bank Women's Convention

38th Meeting at Huntington-Sheraton, Pasadena, Oct. 10-13

"The Challenge of a Changing World" will be the theme of the 38th annual convention of the National Association of Bank Women to be held at the Huntington-Sheraton Hotel in Pasadena, Calif., on October 10-13, according to Helen L. Rhinehart, NABW president and vice-president, Brenton Companies, Des Moines, Iowa.

More than 500 delegates are expected to attend the convention, reports Louise Crew, general convention chairman and assistant cashier, First Western Bank and Trust Company, Pasadena.

Carl A. Bimson, president of the Valley National Bank, Phoenix, Ariz., will attend as president of the American Bankers Association and will be guest speaker at President Rhinehart's Banquet of the Roses, on Wednesday, October 12.

Other program speakers will be drawn from banking, education, government, law, and medical fields and will include:

Milton F. Darr, Jr., president of the American Institute of Banking and vice-president of the La Salle National Bank, Chicago; the Honorable Mildred M. Lillie, justice of the Appellate Court, State of California; J. Maria Pierce, Pasadena educator and civic leader; and Jerry Wald, film producer associated with 20th Century-Fox Film Corp.

The advance convention program:

Monday, October 10

8:00 A.M.: Get-Acquainted Continental Breakfast.

9:30 A.M.: Annual business session of the convention, at which committees will report and other business will be presented and discussed.

Helen Rhinehart



Marion Anderton



Work in

Here are *some* of the projects now under way in the various departments of the American Bankers Association:

Department	Type of Study	Approx. Completion Time
Advertising Department	3rd issue "Timely Money Tips"—statement enclosure	September 1960
	<i>Best Way to Finance 1961 Car</i> —folder	September 1960
	<i>On-the-Job Banking Service</i> —promotion kit	September 1960
	<i>School Saver</i> —autumn issue	October 1960
Advisory Committee on Special Activities	Semiannual report on <i>International Financial Developments</i>	Fall 1960
Agricultural Commission	Semiannual survey of banker opinion on agricultural credit conditions	October 1960
	Irrigation Financing—a study	Fall 1960
	<i>Cooperative and Government Agricultural Lending</i> <i>Providing a Complete Financial Service for Agriculture</i>	Indefinite
A. I. B.	Textbooks:	
	<i>Supervision and Training</i> by James M. Slay, vice-president, Federal Reserve Bank, Richmond, Virginia	Fall 1961
	<i>Economics</i> by Professors A. Anton Friedrich, John A. Bryson, New York University, and Weldon Welfling, Western Reserve University	Fall 1961
	<i>Effective Bank Letters</i> by Professor W. George Crouch, University of Pittsburgh	Fall 1961
	<i>Argumentation and Debate</i> by Dr. Lionel Crocker, Denison University	1962
	<i>Commercial Law</i> by James M. Landis	1962
	<i>Negotiable Instruments</i> by James M. Landis	1962
Bank Management Commission	<i>Check Standards and the Common Machine Language</i>	Fall 1960
	<i>The Retention and Destruction of Bank Records</i> (in cooperation with Committee on State Legislation)	Fall 1960
Committee for Economic Growth Without Inflation	Series of leaflets dealing with timely aspects of growth-inflation problem.	Fall 1960
	Monograph on wages, prices, and productivity	Fall 1960
Committee on Credit Unions	On-the-Job Services—a new dimension in banking	September 1960
Committee on Federal Legislation	<i>Banking Legislation in the Second Session, 86th Congress</i>	October 1960
Council on Banking Education	Banker Education Programs study	February 1961
	Booklet on bank services for high schools	March 1961
	Booklet on banking history for high schools Booklet for High School Math. Teachers	September 1961
Country Bank Operations Commission	<i>Direct Verification for Smaller Banks</i> —booklet	Late 1960
	<i>How to Cost Analyze the Smaller Bank</i> —a revision of the manual <i>Simplified Cost Analysis for Smaller Non-departmentalized Banks</i>	Late 1960
	How to Set Up a Salary Program in the Smaller Bank—revision	Late 1960
	Profit planning (budgeting) guide for smaller banks <i>Customer Analysis—Market Research Series No. 1</i> —booklet	Late 1960 Early 1961

1:00 P.M.: Luncheon session, at which Judge Lillie will be the guest speaker.

2:30 P.M.: "The Challenge of Association Development"—a workshop led by Marion Anderton, NABW vice-president and assistant cashier, Bank of America N.T. & S.A. Participants in the workshop will include Betty Vortman, assistant vice-president, Albuquerque (N. Mex.) National Bank; Darlene Miller, vice-

president, Central State Bank, State Center, Iowa; Ruth A. Bryant, Memphis Branch, Federal Reserve Bank of St. Louis, Memphis, Tenn.; Treva Ann Moore, vice-president and cashier, The Beach Bank, Jacksonville Beach, Fla.; and Iweta Miller, assistant vice-president, First City National Bank, Houston, Tex.

Tuesday, October 11

8:00 A.M.: California breakfast.

Progress

(Readers are requested not to write in for these items until their completion is officially announced)

Department	Type of Study	Approx. Completion Time
Credit Policy Commission	Semiannual survey of banker opinion on business and credit outlook	December 1960 June 1961
Economic Policy Commission	Revision of Commission's series of six <i>Monetary Studies</i>	Indefinite
Employee Training Committee	<i>How to Train a Bank Teller</i>	Late 1960
Instalment Credit Commission	Annual study of instalment credit comparative ratios, portfolio diversification, terms, earnings, and expenses <i>Bulletin on Financing Tuition Fees and Expenses</i> Trends in Instalment Credit—1961 (in cooperation with Research Council) <i>Automobile Financing Through Dealers</i> —a revision <i>Instalment Loans to Small Business</i> —a revision <i>Instalment Lending Directory</i>	Early 1961 September 1960 Spring 1961 Late 1960 Spring 1961 Spring 1961
Insurance and Protective Comm.	<i>Digest of Bank Insurance</i> —9th revision	December 1960
Public Relations Council	Education filmstrip on important role of commercial banks in American economy New <i>Personal Money Management</i> film Revision of PR manual, <i>Your Bank's Relations with Schools</i> Several additions to <i>Speech Service</i> for bankers addressing public audiences <i>The Banker Writes</i> —addition to PR manual series	Late 1960 October 1960 Late 1960 Late 1960 Late 1960
Research Council	<i>Customer Analysis</i> —Market Research Series No. 1 booklet <i>Banking and Monetary Developments 1958-1960</i>	Fall 1960 Winter 1960
Savings and Mortgage Division	<i>Incentive Savings Plans</i> —Revision <i>Thought-Starter Bulletin on Savings Promotion Ideas</i> <i>Personal Money Management</i> —Revision <i>Save and Succeed</i> <i>Methods and Procedures of Computing and Paying Interest on Savings Accounts</i> —Revision <i>You, Your Mortgage, and Your Bank</i> —booklet Study on a National Market for Conventional Mortgages <i>The Mortgage Bulletin</i> Study on <i>The Banker's Role in Urban Renewal Handbook for Mortgage Officers</i>	Fall 1960 Fall 1960 Late 1960 Late 1960 Early 1961 September 1960 December 1960 September 1960 Summer 1961 Indefinite
Small Business Credit Commission	<i>Loans to Small Business by Commercial Banks</i>	October 1960
State Bank Division	<i>Condition and Operation of State Banks in 1960</i>	March 1961
Trust Division	<i>Trust and Estate Legislation</i> <i>An Introduction to Trust Investments</i>	Fall 1960 Late 1960

NABAC Will Hold 36th Annual Convention in Los Angeles, October 9

Carl A. Bimson and J. P. Wolcott Will Be on Program of Speakers

NABAC, The Association for Bank Audit, Control and Operation, opens its 4-day 36th national convention at Los Angeles on October 9. Approximately 2,000 delegates are expected.

Speakers include Carl A. Bimson, president, Valley National Bank, Phoenix, Ariz., who will speak as president of the American Bankers Association; Jesse P. Wolcott, chairman of the Federal Deposit Insurance Corporation; Dr. Byers Miller, executive director of NABAC; David M. Kennedy, chairman, Continental Illinois National Bank & Trust Company, Chicago; Frederick Lynch, Jr., senior vice-president, Central National Bank of Jacksonville, Fla.; Dr. Gilbert Brighthouse, professor of psychology, Occidental College, Los Angeles; Dr. W. Ballentine Henley, president, College of Osteopathic Physicians and Surgeons, Los Angeles. Dr. Henley's subject is "The Role of the Executive's Wife in Her Husband's Success."

Also, Robert E. Gross, chairman, Lockheed Aircraft Corp.; Edmund F. Schnieders, senior vice-president and controller, Security First National Bank, Los Angeles; Robert W. Brown, vice-president, California Bank, Los Angeles; O. Kathryn Bell, vice-president, The Barnett National Bank, Jacksonville, Fla.

Practical Problem Discussions

As usual, the program offers numerous discussions of practical bank problems. One is a panel, "Mechanization Becomes a Reality." Other subjects include directors' examination, administrative trust audit, audit under automation, bank quarters planning, expense reduction, and audit tools.

NABAC's president is Arthur C. Suhrbier, auditor, Continental Illinois National Bank & Trust Company, Chicago. General chairman of the convention is Percy E. Warner, vice-president and treasurer, Title Insurance and Trust Co., Los Angeles.

Convention sessions will be held at the Statler-Hilton Hotel.

9:30 A.M.: "Women's Viewpoint in a Changing World"—a panel moderated by Bernice Palmer Beasley, director of the Beverly Hills (Calif.) National Bank and Trust Company. Participating with Mrs. Beasley: Dr. Charlotte Georgi, research librarian at Graduate School of Business of the University of California at Los Angeles; Dr. Esther F. Hays, assistant professor of medicine, University of California at Los Angeles;

Dr. Helen C. Lodge, associate professor of education, San Fernando Valley (Calif.) State College; Norma Goodhue, journalist; and Frideborg Cronstioe, branch manager, Skandinaviska Banken, Stockholm, Sweden.

12:30 P.M.: Jean Arnot Reid Award luncheon, honoring the bank woman chosen from a list of 10 women who completed this year, with top grades, the American Insti-

(CONTINUED ON PAGE 118)

Bank Women's Convention

(CONTINUED FROM PAGE 117)

tute of Banking requirements for its Standard Certificate. Chairman of the Founders' Tribute Committee is Barbara Pendleton, assistant vice-president, Grand Avenue Bank, Kansas City, Mo. A.I.B. President Darr will speak at the luncheon on the progress being made by the Institute in expanding its curriculum, new textbooks scheduled for production, and the opportunities available to women bankers through the Institute's educational program.

Wednesday, October 12

8:00 A.M.: Regional breakfasts.

9:30 A.M.: "The Changing World of Banking"—a panel by members of NABW on "Women in Public Affairs"; "Personnel"; "Trust Services"; "Personality and Promotion"; "Management Policies"; "Banking Schools"; "New Trends in Credit"; and "Public Relations and Inflation."

12:30 P.M.: Luncheon. "The Key Is in Your Pocket," an address by Mrs. Pierce.

6:30 P.M.: Los Angeles Clearing House Association reception, followed by Miss Rhinehart's "Banquet of Roses," at which she and Mr. Bimson will speak.

Thursday, October 13

9:00 A.M.: Aloha breakfast, followed by installation of officers. Mrs. Anderton, presently vice-president of the association, is the only candidate for the presidency.

Of 110,000 Bank Officers 10,923 Are Women, New NABW Survey Reveals

The nation's banks have a total of 10,923 women officers and 1,583 women directors, according to a recent count made by the Research Committee of the National Association of Bank Women. There is an estimated total of 110,000 bank officers, both men and women, exclusive of directors, according to recent estimates by the Bank Personnel Administration of the American Bankers Association.

Working from the spring edition of the 1960 bank directory, the NABW committee found that there are 164 women bank presidents included in the 10,923 figure.

Treva Ann Moore, vice-president and cashier of the First National Beach Bank, Jacksonville Beach, Fla., is chairman of the Research Committee, NABW.

Entertainment and Sightseeing

Pre-convention tour of Disneyland; reception by the Huntington-Sheraton Hotel; sightseeing trips to Hollywood, Santa Monica, Beverly Hills, home of the Tournament of Roses Parade, and the Rose Bowl; reception by the American Express Company; post-convention tour to Hawaii.

Remington Letter on Constitutional Amendments Sent to Member Banks

On August 19, John W. Remington, president of the American Bankers Association, sent a letter to all member banks reminding them of the fact that proposed amendments to the Association's Constitution are to be voted upon at the first general session of the 86th annual convention in New York on Tuesday, September 20, 1960.

President Remington, who is president of the Lincoln Rochester Trust Company, Rochester, N. Y., pointed out in the letter that under the provisions of Article XI, Sec. 1, of the present Constitution, the proposed amendments were published in the August 1960 issue of BANKING.

He urged each member, and the delegate for each member, to examine the proposed amendments prior to the forthcoming convention in order to be apprised of the changes made and the reasons therefor.

Money and Credit Report

(CONTINUED FROM PAGE 114)

mendations will be submitted to the commission at a later date. It is anticipated that copies of the summary will be made available to interested bankers upon release of the information by the commission.

The Commission on Money and Credit was set up as an independent group by the Committee for Economic Development and is financed by the Ford Foundation.

CALENDAR, 1960-61

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American Bankers Association

Sept. 18-21 86th Annual Convention, New York City
 Oct. 23-25 4th Regional Mortgage Workshop Meeting, Sheraton-Plaza Hotel, Boston
 Nov. 2-4 34th Western Regional Trust Conference, Arizona Biltmore, Phoenix
 Nov. 14-15 9th National Agricultural Credit Conference, Denver Hilton Hotel, Denver
 Nov. 17-18 29th Mid-Continent Trust Conference, The Drake, Chicago
 Nov. 29-30 Southern Secretaries Conference, Francis Marion Hotel, Charleston, S. C.

Dec. 11-13 Conference of Eastern Bankers Association Executives, Shamrock Cliff Hotel, Newport, R. I.
 1961
 Jan. 23-24 13th National Credit Conference, LaSalle Hotel, Chicago
 Feb. 6-8 42nd Mid-Winter Trust Conference, Waldorf-Astoria, New York
 Mar. 6-8 Annual Savings and Mortgage Conference, Hotel Roosevelt, New York
 Mar. 20-22 Instalment Credit Conference, Conrad Hilton Hotel, Chicago

May 29- American Institute of Banking, Olympic
 June 2 Hotel, Seattle
 June 12-24 Stonier Graduate School of Banking,
 Rutgers University, New Brunswick,
 N. J.
 Oct. 15-18 87th Annual Convention, San Francisco
 Nov. 13-14 10th National Agricultural Credit Con-
 ference, The Statler Hilton, Dallas,
 Texas

State Associations

Sept. 8-10 Maine Savings Banks, Poland Spring
 House, Poland Spring
 Sept. 15-17 Massachusetts Savings Banks, Poland
 Spring House, Poland Spring, Maine
 Sept. 25-27 Texas Bankers Instalment Credit, Baker
 Hotel, Dallas
 Oct. 11-12 Nebraska, Cornhusker Hotel, Lincoln
 Oct. 14-15 New Hampshire Fall Meeting, Mountain
 View House, Whitefield
 Oct. 16-18 Kentucky, Brown Hotel, Louisville
 Oct. 17-18 Connecticut Mutual Savings, Mountain
 View House, Whitefield, N. H.
 Oct. 23-26 Iowa, Fort Des Moines Hotel, Des
 Moines
 Nov. 10-12 Arizona, Pioneer Hotel, Tucson
 1961
 Mar. 22-25 Florida, Americana Hotel, Bal Harbour
 Apr. 5-13 Maryland, Cruise on the S.S. Hanseatic
 Apr. 8-11 Louisiana, Buena Vista Hotel, Biloxi,
 Miss.
 Apr. 13-14 Georgia, General Oglethorpe Hotel, Sa-
 vannah
 May 4- 5 Oklahoma, Mayo Hotel, Tulsa
 May 7- 9 North Carolina, The Carolina, Pinehurst
 May 9-11 Ohio, Deshler-Hilton Hotel, Columbus
 May 11 Delaware, Hotel du Pont, Wilmington
 May 14-16 Missouri, Hotel Muehlebach, Kansas
 City
 May 15-16 Illinois, Sheraton - Jefferson Hotel, St.
 Louis, Mo.
 May 17-19 New Jersey, Chalfonte - Haddon Hall
 Hotel, Atlantic City
 May 18-20 South Carolina, Francis Marion Hotel,
 Charleston
 May 18-20 Kansas, Hotel Fort Des Moines, Wichita
 May 21-23 California, Fairmont Hotel, San Fran-
 cisco
 May 21-24 Pennsylvania, Chalfonte - Haddon Hall,
 Atlantic City, N. J.
 May 22-24 Arkansas, Arlington Hotel, Hot Springs
 May 22-24 Mississippi, Buena Vista Hotel, Biloxi
 May 25-27 Massachusetts, The Equinox House,
 Manchester, Vt.
 May 25-27 South Dakota, Sheraton Johnson Hotel,
 Rapid City
 May 26-27 North Dakota, Gardner Hotel, Fargo
 June 6- 7 Minnesota, Saint Paul Hotel, Saint Paul
 June 7- 8 Indiana, French Lick - Sheraton Hotel,
 French Lick
 June 7-11 Dist. of Col., The Homestead, Hot
 Springs, Va.
 June 8- 9 Connecticut, Equinox House, Manches-
 ter, Vt.
 June 8-10 New Mexico, La Fonda Hotel, Santa Fe
 June 8-11 Utah, Sun Valley Lodge, Sun Valley,
 Idaho

June 11-13 Idaho, The Lodge, Sun Valley
 June 14-16 New York, Lake Placid Club, Lake
 Placid
 June 15-17 Vermont, The Equinox House, Manches-
 ter, Vt.
 June 15-17 Virginia, The Homestead, Hot Springs,
 Va.
 June 15-17 Wyoming, Jackson Lake Lodge, Moran
 June 16-17 *New Hampshire, Wentworth-by-the-Sea
 Hotel, Portsmouth (New Castle)
 June 16-17 *New Hampshire Mutual Savings, Went-
 worth-by-the-Sea Hotel, Portsmouth
 (New Castle)
 June 18-20 Washington, Leopold Hotel, Bellingham
 June 19-21 Wisconsin, Hotel Schroeder, Milwaukee
 June 22-24 Michigan, Grand Hotel, Mackinac Island
 June 22-24 Montana, Jackson Lake Lodge, Moran,
 Wyo.
 June 23-24 New Jersey Mutual Savings, Monmouth
 Hotel, Spring Lake
 Sept. 7- 9 Maine Mutual Savings, The Balsams,
 Dixville Notch, N. H.
 Sept. 14-16 Massachusetts Mutual Savings, Equinox
 House, Manchester, Vt.
 Oct. 11-12 Nebraska, Sheraton - Fontenelle Hotel,
 Omaha
 Oct. 29- Iowa, Hotel Fort Des Moines, Des
 Nov. 1 Moines
 Nov. 3- 4 Oregon, 12th Annual Banking Confer-
 ence, Multnomah Hotel, Portland

* Joint Meeting

Other Organizations

Sept. 20-23 59th Annual Convention, National Asso-
 ciation of Supervisors of State Banks,
 Hotel Dennis, Atlantic City
 Sept. 22-24 National Safe Deposit Convention, Chal-
 fonte-Haddon Hall, Atlantic City
 Sept. 25-28 Robert Morris Associates 46th Annual
 Fall Conference, Denver Hilton Hotel,
 Denver, Colo.
 Oct. 3- 6 MBA 47th Annual Convention, Conrad
 Hilton Hotel, Chicago
 Oct. 9-12 NABAC 36th Annual Convention, Hotel
 Statler, Los Angeles
 Oct. 10-13 National Association of Bank Women,
 Annual Convention, Huntington-Sher-
 aton Hotel, Pasadena, Calif.
 Oct. 30- Financial Public Relations Association
 Nov. 3 Convention, Statler Hotel, Boston
 Nov. 27- Investment Bankers Convention, Holly-
 Dec. 2 wood Beach Hotel, Hollywood, Fla.
 1961
 Apr. 10-12 NABAC Eastern Regional, Hotel Bilt-
 more, Atlanta, Ga.
 Apr. 19-21 The Charge Account Bankers Associa-
 tion, Waldorf-Astoria, New York City
 Apr. 20-22 Independent Bankers Association, Sher-
 aton-Park Hotel, Washington, D. C.
 May 1- 3 NABAC Northern Regional, Sheraton-
 Gibson Hotel, Cincinnati, Ohio
 May 15-17 NABAC Southern Regional, Hotel
 Mayo, Tulsa, Okla.
 June 5- 7 NABAC Western Regional, The Jack
 Tar Hotel, San Francisco
 Sept. 11-13 NABAC 37th Annual Convention, Con-
 rad Hilton Hotel, Chicago

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

MARCH						
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The A.B.A.'s 1960 Nominating Committee

ALL of the 50 states in the United States, the District of Columbia, and Puerto Rico are represented on the American Bankers Association's Nominating Committee for 1960.

Members and alternates are elected each year by A.B.A. member banks during the annual conventions of their respective state bankers associations.

The Nominating Committee of 1960 will meet in advance of the formal opening of the 86th annual convention of the A.B.A. in New York and nominate candidates for the presidency and vice-presidency of the Association for the ensuing year. The committee will report on its nominees at the first general session of the convention, to be held at the Waldorf-Astoria on Tuesday, September 20, following which the elections will be held.

The new officers will be installed at the second general session of the convention, which will be held on Wednesday, September 21.

The committee:

ALABAMA: (*Member*) John J. Flowers, Jr., executive vice-president, Dothan Bank & Trust Co.; (*Alternate*) John Will Gay, president, First National Bank, Scottsboro.

ALASKA: (*Member*) W. T. Kegley, president, First National Bank, Juneau; (*Alternate*) R. R. Borer, president, First Bank of Cordova.

ARIZONA: (*Member*) R. W. Heyer, executive vice-president, Southern Arizona Bank & Trust Co., Tucson; (*Alternate*) L. A. Bimson, president, The Bank of Douglas, Phoenix.

ARKANSAS: (*Member*) D. C. West, president, First National Bank, Berryville; (*Alternate*) Sam Bowman, president, McGehee Bank.

CALIFORNIA (*Member*) Ransom M. Cook, president, Wells Fargo Bank American Trust Co., San Francisco; (*Alternate*) G. A. Walker, president, Farmers & Merchants Bank of Long Beach.

COLORADO: (*Member*) Norman M. Dean, executive vice-president, Weld

County Bank, Greeley; (*Alternate*) James J. Durkin, vice-president and cashier, Colorado National Bank, Denver.

CONNECTICUT: (*Member*) Allan R. Carmichael, executive vice-president, Connecticut Savings Bank, New Haven; (*Alternate*) Milton H. Glover, senior vice-president, Hartford National Bank & Trust Co.

DELAWARE: (*Member*) William R. Brown, cashier, First National Bank of Wyoming; (*Alternate*) Edwin P. Neilan, chairman of board and president, Bank of Delaware, Wilmington.

DISTRICT OF COLUMBIA: (*Member*) Thomas J. Groom, president, Bank of Commerce, Washington; (*Alternate*) Richard A. Norris, president, The Riggs National Bank, Washington.

FLORIDA: (*Member*) Emmet Addy, president, Sarasota Bank & Trust Co.; (*Alternate*) W. R. Rosenfelt, president, First National Bank, Winter Park.

GEORGIA: (*Member*) William C. Clary, Jr., president, The Bank of Toccoa; (*Alternate*) James E. Hall, president, The Bank of Soperton.

HAWAII: Member and alternate have not yet been named.

IDAHO: (*Member*) Ralph J. Comstock, president, First Security Bank of Idaho N.A., Boise; (*Alternate*) John A. Schoonover, chairman of board, Idaho First National Bank, Boise.

ILLINOIS: (*Member*) Wilfred H. Heitmann, president, Northwest National Bank of Chicago; (*Alternate*) Robert J. Sterling, president, Union National Bank of East St. Louis.

INDIANA: (*Member*) Floyd A. Hines, president, Fayette Bank and Trust Co., Connersville; (*Alternate*) William J. Riley, president, First National Bank, East Chicago.

IOWA: (*Member*) James H. Pullman, president, Fremont County Savings Bank, Sidney; (*Alternate*) Charles H. Walsh, president, Farmers & Merchants Savings Bank, Burlington.

KANSAS: (*Member*) C. V. Morris, president, Citizens National Bank, Emporia; (*Alternate*) C. B. Haworth, president, Boulevard State Bank, Wichita.

KENTUCKY: (*Member*) John G. Russell, president, Peoples First National Bank & Trust Co., Paducah; (*Alternate*) M. H. Alcorn, Jr., executive vice-president, Citizens State Bank, Hazard.

LOUISIANA: (*Member*) E. Gauthier Coco, president, Moreauville State Bank; (*Alternate*) W. P. Sevier, Jr., president, Tallulah State Bank & Trust Co.

MAINE: (*Member*) Frederick B. Nelson, first vice-president, Casco Bank & Trust Company, Portland; (*Alternate*) Arthur F. Maxwell, president, First National Bank of Biddeford.

MARYLAND: (*Member*) Harper R. Clark, senior vice-president, First National Bank, Baltimore; (*Alternate*) Joseph N. Shumate, president, Farmers National Bank, Annapolis.

MASSACHUSETTS: (*Member*) William B. Schmink, vice-president, National Shawmut Bank, Boston; (*Alternate*) Ernest W. Lay, vice-president, State Street Bank & Trust Company, Boston.

MICHIGAN: (*Member*) Fred Marin, president, Bank of Lansing; (*Alternate*) Gus A. Dahlen, president, National Metals Bank of Ironwood.

MINNESOTA: (*Member*) George T. Somero, president, First National Bank, Ely; (*Alternate*) George S. Henry, vice-president, First National Bank of Minneapolis.

MISSISSIPPI: (*Member*) R. P. Parish, Jr., president, Bank of Greenwood; (*Alternate*) G. M. Moore, president, Grenada Bank, Grenada.

MISSOURI: (*Member*) William A. Borders, president, Security-Mutual Bank & Trust Co., St. Louis; (*Alternate*) Rae A. Evans, president, Central National Bank, Carthage.

MONTANA: (*Member*) R. M. Waters, president, Security Trust and Savings

(CONTINUED ON PAGE 122)



UP GOES another Atlas ICBM at Vandenberg AFB, California



FACTS ON CALIFORNIA, gathered from dependable sources in the half a hundred communities we serve, are swiftly fed to Cracker-Anglo's headquarters in San Francisco (above) by Bank's own inter-branch and intra-bank communications systems—one of the most advanced in the banking world.

What's up in California?

Population, for one thing. Swelling at the rate of 1,500 persons per day, California should become the most populous state in the Nation by 1965. Every 1,400 new residents will support 200 industrial jobs, 33 stores and shops, 24 professional men, 18 teachers, 320 automobiles, 6,600 acres of farm products. In Northern and Central California 260,000 persons will expand the population this year! This is the great growth area served by Crocker-Anglo National Bank.

If your customers need facts on any of the more than 50 diversified communities we serve, count on Crocker-Anglo for the answers. Perhaps, too, your bank is looking for a banker's bank central to California and central to the West Coast. If so, count on Crocker-Anglo for outstanding correspondent service. You'll like the way we do business.



KEEPING TABS ON HOUSING BOOM in his area, is R. C. Cappack, Jr., Cracker-Anglo VP. Above, he gets close-up look in Sacramento at new 86-unit housing tract, part of the 84,000 new dwellings that will be built this year in the territory the Bank serves. Cracker-Anglo maintains nine offices in Sacramento and vicinity, more than 90 offices in California, and has many others planned or under way to keep pace with its rapidly growing territory.

CENTRAL TO THE WEST COAST



California's Oldest National Bank

**ASSETS OVER \$1,750,000,000
CAPITAL FUNDS OVER \$125,000,000**

**ADMINISTRATIVE HEADQUARTERS:
1 MONTGOMERY STREET
SAN FRANCISCO 20**

MEMBER FEDERAL RESERVE SYSTEM
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

(CONTINUED FROM PAGE 120)

Bank, Billings; (*Alternate*) V. C. Hollingsworth, president, Citizens State Bank, Hamilton.

NEBRASKA: (*Member*) Harold E. Roe, executive vice-president, Bank of Bennington, Bennington; (*Alternate*) E. M. Black, executive vice-president, First National Bank, Fullerton.

NEVADA: (*Member*) E. Parry Thomas, executive vice-president, Bank of Las Vegas; (*Alternate*) E. J. Questa, president, First National Bank of Nevada, Reno.

NEW HAMPSHIRE: (*Member*) William H. Weston, executive vice-president, Whitefish Savings Bank & Trust Co.; (*Alternate*) William J. Barrett, president, Nashua Trust Co.

NEW JERSEY: (*Member*) J. Milton Featherer, executive vice-president, Penn's Grove National Bank and Trust Co.; (*Alternate*) Richard G. Macgill, executive vice-president, First Trenton National Bank, Trenton.

NEW MEXICO: (*Member*) Charles K. Johnson, president, First National Bank, Artesia; (*Alternate*) Joe B. Sisler, president, Clovis National Bank.

NEW YORK: (*Member*) John W. Wurts, president, Marine Midland Trust Company of Southern New York, Binghamton; (*Alternate*) Eugene H. Morrison, vice-president, Orange County Trust Company, Middletown.

NORTH CAROLINA: (*Member*) G. Harold Myrick, executive vice-president, First National Bank, Lincolnton; (*Alternate*) J. E. Paschall, president, Branch Banking & Trust Co., Wilson.

NORTH DAKOTA: (*Member*) G. H. Hernet, president, McIntosh County Bank, Ashley; (*Alternate*) A. O. McLellan, president, Merchants National Bank and Trust Co., Fargo.

OHIO: (*Member*) Willard I. Webb, Jr., president, Ohio Citizens Trust Co., Toledo; (*Alternate*) C. L. Long, executive vice-president, First National Bank & Trust Company, Steubenville.

OKLAHOMA: (*Member*) Albert C. Kelly, president, Admiral State Bank, Tulsa; (*Alternate*) M. E. Thompson, president, First National Bank, Calumet.

OREGON: (*Member*) Harold A. Weiss, senior vice-president, United States National Bank of Portland; (*Alternate*) Baker Ferguson, vice-president,

First National Bank of Oregon, Portland.

PENNSYLVANIA: (*Member*) John R. Simpson, president, Third National Bank & Trust Co., Scranton; (*Alternate*) Stanley B. Aldrich, president, Crawford County Trust Company, Meadville.

PUERTO RICO: (*Member*) Rafael Carrión, Jr., president, Banco Popular de Puerto Rico, San Juan; (*Alternate*) Esteban A. Bird, executive vice-president, Banco Crédito y Ahorro Ponceño, San Juan.

RHODE ISLAND: (*Member*) Norman T. Worthington, vice-president, Citizens Trust Co., Providence; (*Alternate*) Milton A. Roy, assistant vice-president, Industrial National Bank, Providence.

SOUTH CAROLINA: (*Member*) Robert G. Clawson, executive vice-president, The Bank of Hartsville; (*Alternate*) Porter Williams, vice-president, First National Bank of South Carolina, Charleston.

SOUTH DAKOTA: (*Member*) Robert Walrath, president, First Citizens National Bank, Watertown; (*Alternate*) Charles H. Burke, vice-president, Pierre National Bank.

TENNESSEE: (*Member*) H. F. Rutherford, president, Union-Peoples Bank, Clinton; (*Alternate*) Ridley Alexander, president, Second National Bank, Jackson.

TEXAS: (*Member*) Robert H. Stewart, III, president, First National Bank in Dallas; (*Alternate*) James A.

Elkins, Jr., president, First City National Bank, Houston.

UTAH: (*Member*) K. J. Sullivan, executive vice-president, Continental Bank & Trust Co., Salt Lake City; (*Alternate*) Eugene Overfelt, president, Gunnison Valley Bank, Gunnison.

VERMONT: (*Member*) Roland T. Sandberg, president, Vermont Bank & Trust Company, Brattleboro; (*Alternate*) Edmund P. Shaw, vice-president, treasurer, and trust officer, Killington Bank & Trust Company, Rutland.

VIRGINIA: (*Member*) E. H. Ould, president, First National Exchange Bank, Roanoke; (*Alternate*) R. C. Walker, executive vice-president, Peninsula Bank and Trust Co., Williamsburg.

WASHINGTON: (*Member*) J. H. Dietzen, first vice-president and manager, Yakima Valley Branch, National Bank of Washington, Yakima; (*Alternate*) George Christenson, president, Bank of Stevenson.

WEST VIRGINIA: (*Member*) James W. Strider, executive vice-president, Bank of Charles Town; (*Alternate*) Bernard N. McCutcheon, executive vice-president, Nicholas County Bank, Summersville.

WISCONSIN: (*Member*) Edward J. Ruetz, president, Kenosha National Bank; (*Alternate*) Carl A. Biederman, president, Oshkosh National Bank.

WYOMING: (*Member*) Jack Devereaux, president, First State Bank, Newcastle; (*Alternate*) R. J. Hoffman, president, American National Bank, Cheyenne.

Value of New Construction Put in Place

THE value of new construction put in place in July 1960 amounted to \$5.2-billion, according to estimates of the Bureau of the Census, U. S. Department of Commerce. These estimates are released for the first time this month on a new basis reflecting the revised, higher level of new private housing starts announced by the Bureau in May.

On the new basis, total new construction put in place in July 1960 was 3% above the June 1960 level, approximately the normal increase between June and July, and 4% below the July 1959 level. The cumulative value of construction expenditures in the first several months of 1960 amounted to \$30.4-billion, 2% below the \$31.2-billion expended during the first seven months of 1959.

The seasonally adjusted annual rate of total new construction expenditures was \$55.5-billion in July 1960, about the same as in June 1960. The annual rate of private construction expenditures increased slightly from \$39.8-billion in June 1960 to \$40-billion in July 1960. During the same period the annual rate of public construction expenditures declined about 2% from \$15.8-billion in June 1960 to \$15.5-billion in July 1960.

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Federal Reserve

(CONTINUED FROM PAGE 91)

of political science it would be a highly undesirable thing to have the control of our money under the influence, too directly, of the head of a political party, who is also the head of the Government." Dr. Goldenweiser thought it unwise to give the Board's chairman any closer role in Administration activities, lest he be outvoted and yield on matters requiring from him a degree of detachment.

A vital aspect of the Federal Reserve's independence was brought out by Dr. Goldenweiser: its independence from the Federal budget. If the Fed had to have annual appropriations it would be subject to much greater political pressures than it has been. Dr. Goldenweiser testified:

Congress is an inflationary body . . . because the groups . . . that are in favor of inflation are vastly better organized than many millions who suffer from inflation . . . and I think that it is very wise for Congress to have a few hurdles between itself

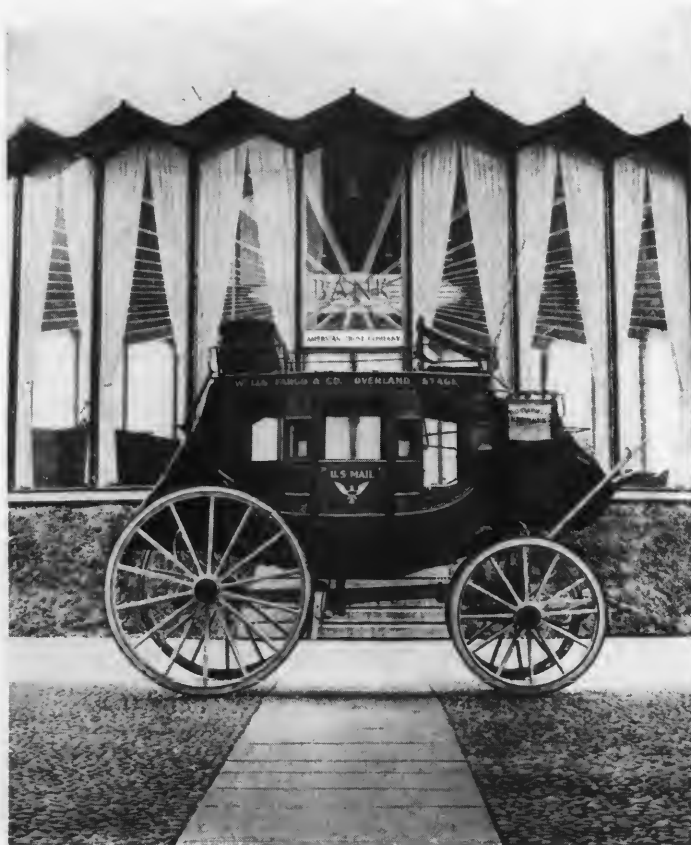
and direct influence on current credit policies.

Similarly, another Congressional witness, Harold Stein, testified in 1952:

Congress really wants to impose on itself, as well as on the President, a kind of barrier . . . to too quick response to the electorate, to the way the wind blows today and tomorrow.

In the writer's view such independence as the Federal Reserve has enjoyed since it escaped from Treasury domination in 1951 should be preserved. Although it is an independent establishment, the Fed is not without its master: the Congress. This is demonstrated every time a Congressional committee calls before it the Board's chairman, Federal Reserve Bank presidents or the whole Federal Open Market Committee. The Board should cooperate closely with the Treasury, as it does; but it should not again in peacetime be subservient to the Treasury, as seems to have been the case a decade ago. The responsibilities, and the viewpoints, of the Treasury and the Board are necessarily different.

As we have seen, the Fed is independent not of the Government but within the Government. It cannot ignore the Treasury. It must work with it, but on terms of equality. Originally, the Secretary of the Treasury and Comptroller of the Currency were *ex officio* members of the Board. This tie was severed by the Banking Act of 1935, a step which had the endorsement of the then Secretary of the Treasury, Henry Morgenthau, and two former Secretaries, Carter Glass and William McAdoo, all Democrats. The Act recognized the separation of functions. None the less, wartime necessities, as we have noted, subordinated the Fed to the Treasury and it was not until 1951 that the Fed regained freedom of action. Since then Fed policies have been repeatedly criticized by Democrats, among them Senator Kennedy. Between Mr. Martin and Pres. Eisenhower's Treasury no major clash of opinion has come to light. If in November the wind blows toward Sen. Kennedy and the Democratic platform is next year put to the test, it will be interesting to see which way the Board leans.



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Reserve Requirements Loosened by New FRB Amendments

THE Board of Governors of the Federal Reserve System amended its Regulation D, relating to bank reserves and reserve requirements, in three respects, effective August 25 and September 1, 1960.

The changes, made in further implementation of an act of Congress relating to vault cash and reserve requirements, will make available about \$600,000,000 of additional reserves for expanding bank credit as the economy enters the season of rising credit needs.

(1) Effective August 25, 1960, member banks outside of central reserve and reserve cities ("country banks") will be permitted to count, in meeting their reserve requirements, any vault cash that they hold in excess of 2½% of their net demand deposits. At present they can only count any vault cash that they hold in excess of 4% of net demand deposits.

(2) Effective September 1, 1960, reserve city and central reserve city banks similarly will be permitted to count vault cash in excess of 1% of their net demand deposits, instead of the present 2%.

(3) Effective September 1, 1960, the reserve requirement of central reserve city banks against their net demand deposits, now 18%, will be reduced to 17½%. This change is a first step toward compliance with a provision of the 1959 act that the differential between the requirements of central reserve city and reserve city banks be eliminated by July 28, 1962. Since the requirement for banks in reserve cities is now 16½%, the present action reduces the differential from 1½ percentage points to 1 point.

Each member bank of the Federal Reserve System is required to maintain on deposit with the Federal Reserve bank of its district:

- (1) If not in a reserve or central reserve city—
 - (a) 5% of its time deposits, plus
 - (b) 11% of its net demand deposits.
- (2) If in a reserve city (except as to any bank located in such a city which is permitted by the Board of Governors of the Federal Reserve System, pursuant to § 204.2 (a) (2), to maintain the reserves specified in subparagraph (1) of this paragraph)—
 - (a) 5% of its time deposits, plus
 - (b) 16½% of its net demand deposits.
- (3) If in a central reserve city (except as to any bank located in such a city which is permitted by the Board of Governors of the Federal Reserve System, pursuant to § 204.2 (a) (2), to maintain the reserves specified in subparagraph (1) or (2) of this paragraph)—
 - (a) 5% of its time deposits, plus
 - (b) 17½% of its net demand deposits.

Because of the first two changes, about ⅔ of the 6,200 member banks will be able to count a part of vault cash in meeting their required reserves.

The amount of reserves made available by today's actions on vault cash will be around \$480,000,000, of which somewhat more than half would be at country banks and almost all of the remainder at reserve city banks. The reduction in the requirement of central reserve city banks arising from the third change will release about \$125,000,000 of reserves.



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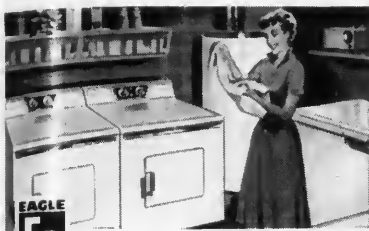
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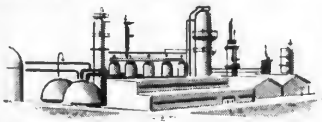
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ber-to-metal parts ★ Polyurethane products.

A.B.A. Trust Conference Announcements

THE 42nd Mid-Winter Trust Con-
ference, sponsored by the Trust
Division of the American Bankers
Association, will be held at The Wal-
dorf-Astoria in New York, Febru-
ary 6-8, 1961, Trust Division Presi-
dent Charles W. Hamilton has
announced.

Mr. Hamilton is senior vice-presi-
dent and trust officer, The National
Bank of Commerce, Houston, Tex.

The Mid-Winter Trust Conference
annually draws upward of 2,000 trust
officers from all sections of the coun-
try and several foreign countries.
The 41st conference, held in early
February 1960, attracted a record
attendance of 2,363.

29th Mid-Continent Committees

Chairmen of committees for the
American Bankers Association's 29th
Mid-Continent Trust Conference,
scheduled to be held at the Drake
Hotel in Chicago, November 17 and
18, have been announced by Presi-
dent Hamilton and R. Emmett Han-
ley, president of the Corporate Fi-
duciaries Association of Chicago. The
Chicago association will be host to
the conference.

Mr. Hanley is senior vice-president

of the City National Bank and Trust
Company of Chicago.

Michael A. Georgen, vice-president
and cashier of the City National
Bank and Trust Company of Chi-
cago, will be chairman of the Com-
mittee on Arrangements. Other com-
mittee members are:

Asa J. Baber, assistant vice-presi-
dent, Chicago Title and Trust Com-
pany, *Entertainment*; Victor L. Bed-
dingfield, second vice-president, Con-
tinental Illinois National Bank and
Trust Company of Chicago, *Regis-
trations*; John S. Dunhill, assistant
secretary, Harris Trust and Savings
Bank, *Hotels*; J. A. Gallas, assistant
vice-president, La Salle National
Bank, *Information*; M. B. Hagel, as-
sistant trust officer, City National
Bank and Trust Company of Chi-
cago, *Auditor*; Robert C. Hansen,
assistant vice-president, American
National Bank and Trust Company
of Chicago, *Meeting Places*; Whit-
field D. Hillyer, assistant manager,
Advertising and Public Relations
Department, The Northern Trust
Company, *Publicity*; and August J.
Hurt, Jr., secretary, Trust Depart-
ment, The First National Bank of
Chicago, *Program*.

Bulletin Published on "Financing Higher Education by Commercial Banks"

THE Instalment Credit Commission
of the American Bankers Associ-
ation has sent to A.B.A. members
a special bulletin on "Financing
Higher Education by Commercial
Banks." It details a typical bank
plan in operation and presents plans
of a number of state organizations
as well as those of several commer-
cial banks.

The basic essentials of a tuition
loan plan "should provide funds to
cover all the student's reasonable ex-
penses while attending college," the
bulletin says. Under normal circum-
stances, an educational loan is made
to a student who plans to attend a
fully accredited school or who is

presently a student of a college or
university. "The financing plan may
cover the entire college education
and living expenses or any portion
thereof from one to four years. Loans
to offset the cost of graduate
work or professional training also
come within the limits of this type
of program."

Most banks, it is pointed out, favor
the limitation of a financing ar-
rangement with the signature of a
bona fide parent, guardian, or a
creditworthy sponsor on the note. A
general requirement in most bank
plans is that the borrower be a resi-
dent of the state or metropolitan
trading area.

Bank Stocks

(CONTINUED FROM PAGE 77)

for each can build a reserve equal to three times its own loss experience. Column 4 of Table V expresses the valuation reserve as a percentage of the bank's capital, conventionally defined. On the average, reserves equal 20% of the capital of the small banks and 14% of the capital of the larger banks.

Second, consistent with the aggregate data presented earlier, the small banks typically have a lower payout ratio than the larger banks. The average payout ratio for the small banks over the 5-year period was 20%; the average for the larger banks was over 50%. The relatively more attractive earnings for small banks, combined with their low payout ratio, indicate that earnings are being compounded at a rapid rate.

A Critical Point

The third systematic difference—and this is critical—is that small banks typically sell at substantial discounts from book plus valuation reserves, while the larger banks command a premium.¹⁰ The assets of banks are typically highly liquid and could be liquidated over a reasonable period of time with little loss. Like a closed-end investment trust, a bank stock selling at less than its book implies that dollars can be bought at a discount.

To conclude, the sample of small banks, typical of many small banks throughout the country, have been more profitable than the sample of selected large banks. The small banks also hold a higher level of reserves that are, for the most part, hidden and possess characteristics of growth stocks—a low payout ratio and high earnings on book. How can the anomaly be explained that these banks sell at discounts from book while other banks command a premium? The memory of the depression is, of course, part of the answer. Small banks were hit harder than the large banks. But it is doubtful that the performance record during the Thirties explains the entire discount. Rather the marketability of the securities themselves must also be considered, for, if a security is traded in an imperfect or negotiated

market, its value may be understated and remain understated for long periods.

The market for the securities of small banks is just such an imperfect market. SEC full disclosure rules do not apply to banks. Income statements need not be reported. Valuation reserves need not be revealed. Accounting practices need not be stated. Moreover a potential stockholder may not even know in what direction a bank is expanding. Total loans may rise, but is this because consumer loans or mortgage loans or commercial loans or farm loans rose? In the absence of these elementary facts, the risk of investment mounts.

Few Shares, Few Owners

A small bank may have only a few shares outstanding. For example, one of the banks studied had issued only 2,000 shares and another only 4,000 shares. Typically, the number of stockholders is few, and the ownership concentrated. Since many of the smaller banks are closely held, the volume of trading is restricted and the marketability of their securities impaired.

Frequently the president of the small bank makes the market in the bank's security. To buy securities you approach the bank president and place your name on a "list." In time, if a few shares become available, he may call you. To sell bank stock, you approach the president, who turns to his list. If the president is a buyer himself, he may take your entire block. If not, you may have to wait until someone places a bid. In short, the market for the securities in small banks is thin and negotiated; it is not an auction market as we have come to know the term in other areas.

The Market for Larger Banks

The securities of the largest banks, on the other hand, are traded in wider markets. There are more securities outstanding and markets may be made by professional over-the-counter houses. More information is published in standard financial manuals, reducing uncertainty and, hence, the investment risk. Moreover, bid and asked quotations appear in many of the large urban newspapers. The market for these securities, then, more closely resembles the markets for other over-the-counter securities.

It is our belief that increased marketability has widened the demand and raised the price of the securities of the larger banks. Their better marketability has contributed to the fact that they sell at a higher price/earnings ratio than the smaller banks, and typically at a premium over book rather than at a discount from book.

V—Marketability Factors

Prudent management as well as the requirements of supervisory authorities compel a bank's decision making unit to relate risk assets to ownership capital. If capital is limited, a bank may be unwilling to extend a loan. This reluctance is independent of the borrower's merit. Under these conditions, the bank is not performing its social task.

Price v. Value Paradox

Banks can augment their capital through retained earnings or floating additional equity. Aggregate bank earnings, when adjustments are made for risk and accounting practice, have been comparable to those in all manufacturing and utilities. Until 1958 the rate of return on book for small banks has been greater than the rate of return on large ones. Moreover the small banks made larger transfers to valuation reserves. The reported earnings of the small banks, therefore, have been understated more than the earnings of the large. Yet the stocks of small banks that we studied typically sell for less than book value plus valuation reserves, while the securities of large banks frequently sell for more than their liquidating value.

The Paradox Explained

We believe this paradox to be simple. For securities with a low payout ratio and high earnings on book are precisely the kind of investments many people desire. These are the earmarks of "growth situations." Low dividends cannot be the answer.

It has been alleged that the reason for the low price/earnings ratio of small banks is their low payout ratio. But precisely because their securities sell at less than book, a high retention rate is necessary if the bank is to raise additional equity.

We believe that the poor marketability of the securities of small

(CONTINUED ON PAGE 130)

¹⁰ There has been little change in the relationship of market price to book for the Chicago securities since 1954. While the average ratio of price to book increased slightly (from 61 to 64%) between 1954 and 1959, 14 of the 26 banks studied sold at a higher percentage of book in 1954 than in 1959.



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SMEAD MANUFACTURING COMPANY
HASTINGS, MINN.
CHICAGO LOGAN, OHIO LOS ANGELES

(CONTINUED FROM PAGE 128)

banks, culminating in dilution problems, arise from several factors. It is more difficult to get reliable information about a small than a large bank. A larger volume of their reserves is hidden, and balance sheet and income statements are difficult to follow. Annual reports are skimpy and only the most perfunctory statements are reported in standard financial manuals. A small bank may have only a limited number of shares outstanding, and the market in these securities is frequently made by an amateur. This amateur may be an operating officer of the bank who is himself one of the principal shareholders.

Results of Poor Marketing

What are the consequences of the low price of bank stock which we have attributed to poor marketing and not low intrinsic investment values? First and foremost, the community suffers. The low stock prices mean that the cost of capital is higher than it needs to be; banks therefore acquire less capital and assume less risk than they otherwise would. Borrowers who might have been accommodated are forced to turn to higher-cost, less efficient financial intermediaries. Second, the bank suffers because its growth potential has been curtailed. The third group that suffers from poor marketability is minority stockholders, who may be forced to sell their stock at a price less than its intrinsic value.

If the marketability of bank stocks were improved, we believe, banks would increase their capital and assume more risk in their asset portfolios. This, in turn, would lead to a more efficient allocation of the economy's resources.



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Sixty branch managers throughout Arizona assist in contacting customer subjects for the pictures. Then the bank's advertising personnel follows through, endeavoring to approach each ad from a different copy point.

An election never proves anything except that different parts of the country are mad about different things.

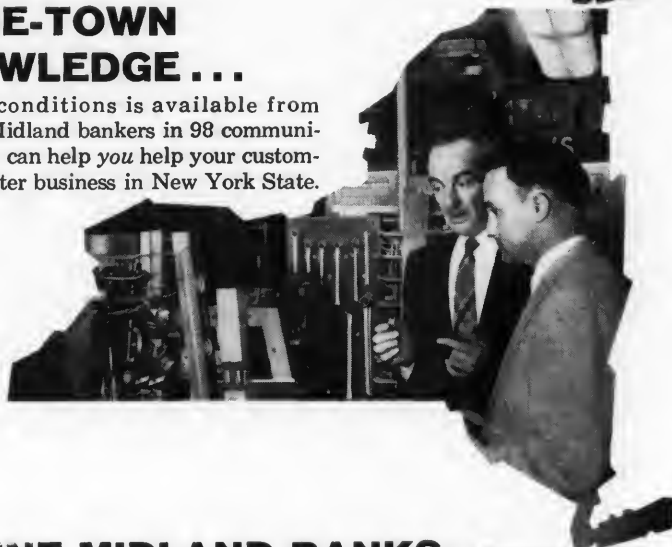
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INTEREST

The word "interest," as used in this message, refers to the personal interest on the part of all our people in the quality of the merchandise we deliver to our customers. With us, it is so pronounced that we cannot help but single it out for special recognition. It manifests itself in many ways which combine to add value to our product and enhance our buyer-supplier relationship.

It is astonishing, and of course gratifying, how often our plant people come up with ideas that strengthen the presentations of our sales staff. From a departmental standpoint, this might be considered intrusion in some organizations, but we prefer to call it "overlap of interest" and we value it highly because over the years it has contributed so much to our sales program. What motivates it, no doubt, is our practice of letting everyone in on the act whenever we have something pending that needs to be thought out.

How important is this? Well, in the light of recent increased printer responsibility, it would seem to be a most important part of supplier obligation. We no longer are delivering pieces of paper printed to suit merely the aesthetic demands of the buyer, but rather source documents that must in addition satisfy the delicately balanced mechanism of high-speed equipment. As a consequence, the significance of customer satisfaction takes on new meaning for those who sell, design, produce or ship each order that leaves our plants.

In these days, when so many things are new, the job of each person has learning content no matter how experienced he may be. To grasp the significance of these new things, it is necessary literally to "wring each subject dry" in discussion with a large number of people. It is difficult to measure the value of such discussion, but in our case we think it represents the plus you get from us.



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125th CONSECUTIVE
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On August 25, 1960, the Board of Directors declared the following quarterly dividends, payable Oct. 1, 1960, to shareholders of record Sept. 8, 1960:

45 cents a share on Common Shares.
\$1.00 a share on Preferred Shares.

Paul Gerden, Secretary

ABBOTT LABORATORIES
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acf

INDUSTRIES, INCORPORATED

Common Dividend No. 163

A dividend of 6½¢ per share on the common stock of this Corporation has been declared payable September 15, 1960, to stockholders of record at close of business August 26, 1960.

C. ALLAN FEE,
Vice President and Secretary

August 5, 1960

Why Pass Up Extra Commissions?

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New York State Branching Test

ALTHOUGH a trial date has been set for a courtroom controversy over the legality of New York State's new banking law, which in effect permits city banks to spread branches deep into surrounding suburbs, the New York State Banking Board has already granted permission for new branches to be established under the law's contested provisions. The State's recently passed Omnibus Banking Act of 1960 has been the object of much pre-and-post enactment controversy.

Nine Out-of-City Branches Authorized

At an early August meeting, the 10-man board held a marathon four hour and 14 minute session at which a total of nine new branches were authorized, and approval is anticipated for a possible 22 more. Six of the authorizations permit New York City banks to open branches in Nassau County; the other three permit up-state branches, one to be located in Westchester County close to the city itself. Six other applications, five filed by one New York City bank, were rejected.

Further Action Awaited

The board is not expected to reconvene until September 10, four days after the date set for court action contesting the act. Franklin National Bank of Long Island, which has vigorously opposed the measure from its beginning, has consented, with attorneys for 10 New York City banks and the State Banking Department, to consolidate into one legal action scheduled to start on September 6 its various suits contesting the act. The suits were initiated by Franklin National in protest against the suburban expansion provisions of the act, which the bank claims are unconstitutional.

Since the act is considered to pave the way for statewide expansion of bank facilities, and since some 10 other states have banking restrictions limiting the expansion this act permits, the controversy is being watched with much interest, particularly by bankers in those states.



WHEN MELLON BANK ANSWERS, IT'S THE MAN YOU WANT!

Now reach him CEntral 2- . . . plus his personal extension number

Direct Dialing makes it easier than ever to handle your business with Mellon Bank. Now each department and individual has a "direct dial" telephone number. You call straight through to your man at Mellon Bank, saving valuable time.

Just call CEntral 2- plus the four-digit extension number of the person or department you want. Of course, you still can reach our operator at CEntral 2-4100 if you don't have the number you need. Direct Dialing helps you get your man at Mellon Bank faster.

This new "direct dial" telephone system—among the first in the United States—is another convenient service of Mellon Bank. It's one more reason why you should call on Mellon Bank for all your correspondent banking services!

MELLON NATIONAL BANK AND TRUST COMPANY • PITTSBURGH 30, PENNSYLVANIA

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION
CAPITAL FUNDS \$296,585,965.63



Washington

(CONTINUED FROM PAGE 88)

sixteen years ago. It will reaffirm these rights for all Americans of whatever race, place of residence, or station in life:

"The right to a useful and remunerative job in the industries or shops or farms or mines of the nation."

Fiscal Responsibility

We vigorously reject the notion that America, with a half-trillion-dollar gross national product, and nearly half of the world's industrial resources, cannot afford to meet our needs at home and in our world relationships.

We believe, moreover, that except in periods of recession or national emergency, these needs can be met with a balanced budget, with no increase in present tax rates, and with some surplus for the gradual reduction of our national debt.

Four-Point Program

To assure such a balance we shall

pursue a four-point program of fiscal responsibility.

First, we shall end the gross waste in Federal expenditures which needlessly raises the budgets of many Government agencies.

The most conspicuous unnecessary item is, of course, the excessive cost of interest on the national debt. Courageous action to end duplication and competition among the armed services will achieve large savings. The cost of the agricultural program can be reduced while at the same time prosperity is being restored to the nation's farmers.

Second, we shall collect the billions in taxes which are owed to the Federal Government but not now collected.

The Internal Revenue Service is still suffering from the cuts inflicted upon its enforcement staff by the Republican Administration and the Republican Congress in 1953.

The Administration's own Commissioner of Internal Revenue has testified that billions of dollars in revenue are lost each year because the Service does not have sufficient agents to follow up on tax evasion.

We will add enforcement personnel,

and develop new techniques of enforcement, to collect tax revenue which is now being lost through evasion.

Third, we shall close the loopholes in the tax laws by which certain privileged groups legally escape their fair share of taxation.

Among the more conspicuous loopholes are depletion allowances which are inequitable, special consideration for recipients of dividend income, and deductions for extravagant "business expenses" which have reached scandalous proportions.

Tax reform can raise additional revenue and at the same time increase legitimate incentives for growth, and make it possible to ease the burden on the general taxpayer who now pays an unfair share of taxes because of special favors to the few.

Fourth, we shall bring in added Federal tax revenues by expanding the economy itself. Each dollar of additional production puts an additional 18 cents in tax revenue in the national treasury. A 5% growth rate, therefore, will mean that at the end of four years the Federal Gov-

(CONTINUED ON PAGE 135)



Through our own offices in all 3 states, you can reach immediately into California, Oregon and Washington, covering all your Western transactions with *one account* in this *one bank*.

SAN FRANCISCO and other California cities... PORTLAND, Oregon... SEATTLE and TACOMA, Washington • HEAD OFFICE: 400 CALIFORNIA STREET, SAN FRANCISCO 20

THE BANK OF CALIFORNIA
NATIONAL ASSOCIATION





13,725,619 people saw U. S. Steel movies in 1959.

Business and professional groups, schools and the general public, watched some three dozen U. S. Steel educational films in over 47,000 separate showings. Perhaps *you* have seen some of these films:

"Rhapsody of Steel" has been praised as one of the finest theatrical shorts ever produced. It shows the history of steel from its Stone Age discovery to the important role this remarkable metal now plays in conquering space. This outstanding animated color film is now being shown in a number of motion picture theaters throughout the country.

"Plan for Learning" won an NEA School Bell Award last year for "distinguished public service advertising in behalf of education." This color film tells the story of how one community worked together to build a

much-needed new school. In addition to group showings, the film was also featured on TV.

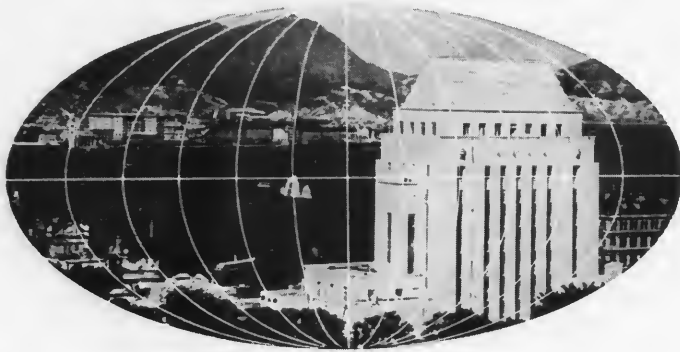
"The Five Mile Dream," a theatrical short, is the story of bridging Michigan's Straits of Mackinac. Almost 3½ million people saw this film last year. "Practical Dreamer," which offers kitchen planning tips; "Mackinac Bridge Diary;" "Jonah and the Highway;" and "Steel-Man's Servant" are some of the films most requested during 1959.

If you would like complete booking information about U. S. Steel movies, write United States Steel, 525 William Penn Place, Pittsburgh 30, Pa.

USS is a registered trademark



HEAD OFFICE OF THE HONGKONG AND SHANGHAI
BANKING CORPORATION, HONG KONG



If you do business world-wide... call on the international bank

The Hongkong Bank, with its subsidiaries, has 111 branches in Europe, Asia Minor, Asia and America. Together with the Bank's correspondents in Australia, Africa and South America, complete domestic and international banking facilities are offered throughout the world.



THE HONGKONG AND SHANGHAI BANKING CORPORATION

SAN FRANCISCO: 80 Sutter Street
LOS ANGELES: 212 West Seventh Street
NEW YORK: 72 Wall Street
Total Assets More than \$1,120,000,000

OUR NINETY-SIXTH YEAR IN WORLD-WIDE BANKING

(CONTINUED FROM PAGE 134)

ernment will have had a total of nearly \$50-billion in additional tax revenues above those presently received.

By these four methods we can sharply increase the Government funds available for needed services, for correction of tax inequities, and for debt or tax reduction.

Challenge of the 1960s

"Much of the challenge of the 1960s, however, remains unforeseen and unforeseeable.

"If, therefore, the unfolding demands of the new decade at home or abroad should impose clear national responsibilities that cannot be fulfilled without higher taxes, we will not allow political disadvantage to deter us from doing what is required.

"As we proceed with the urgent task of restoring America's productivity, confidence, and power, we will never forget that our national interest is more than the sum total of all of the group interests in America.

"When group interests conflict with the national interest, it will be the national interest which we serve."

REPUBLICANS:

To provide the means to a better life for individual Americans and to strengthen the forces of freedom in the world, we count on the proved productivity of our free economy.

Despite the lamentations of the opposition in viewing the economic scene today, the plain fact is that our 500 billion dollar economy finds more Americans at work, earning more, spending more, saving more, investing more, building more than ever before in history. The well-being of our people, by virtually every yardstick, has greatly advanced under this Republican Administration.

But we can and must do better. We must raise employment to even higher levels and utilize even more fully our expanding, over-all capacity to produce. We must quicken the pace of our economic growth to prove the power of American free enterprise to meet growing and urgent demands: to sustain our military posture, to provide jobs for a growing labor force in a time of rapid technological change, to improve liv-

(CONTINUED ON PAGE 138)

LARGEST BANK IN THE NATION'S CAPITAL

Older than the Washington Monument . . .

It is hard to imagine Washington without the Washington Monument, for the cornerstone of that venerable structure was laid July 4, 1848.

By the same token it is difficult to think of the Nation's Capital without a "Riggs Bank", since the founding of this institution antedates the Monument by 12 years.

In 1836, William W. Corcoran opened his modest exchange and brokerage business on Pennsylvania Avenue, to be followed four years later by the banking partnership of Corcoran & Riggs, subsequently Riggs & Company, and finally, The Riggs National Bank. Through all these changes in time and title the same dependable banking service grew and prospered . . . without interruption . . . without default . . . with *never a faltering* in the confidence and esteem of the people served.

The Riggs National Bank has grown as Washington has grown. As the leading bank in our Nation's Capital, we are proud of the part we have played in the growth of our Federal City . . . proud, too, that in our own field we represent a tradition of outstanding banking strength that is "OLDER THAN THE WASHINGTON MONUMENT".

The
RIGGS
NATIONAL
BANK

WASHINGTON, D. C. • FOUNDED 1836

RESOURCES OVER \$500,000,000

COMPLETE BANKING AND TRUST SERVICE
FIFTEEN CONVENIENT LOCATIONS

Member — Federal Deposit Insurance Corporation
Member — Federal Reserve System



(CONTINUED FROM PAGE 136)

ing standards, to serve all the needs of an expanding population.

Accelerate Economic Growth

We therefore accord high priority to vigorous economic growth and recognize that *its mainspring lies in the private sector of the economy.* We must continue to foster a healthy climate in that sector. *We reject the concept of artificial growth forced by massive new federal spending and loose money policies.* The only effective way to accelerate eco-

nomie growth is to increase the traditional strengths of our free economy—initiative and investment, productivity and efficiency. To that end we favor:

Broadly-based tax reform to foster job-making and growth-making investment for modernization and expansion, including realistic incentive depreciation schedules.

Use of the full powers of Government to prevent the scourges of depression and inflation.

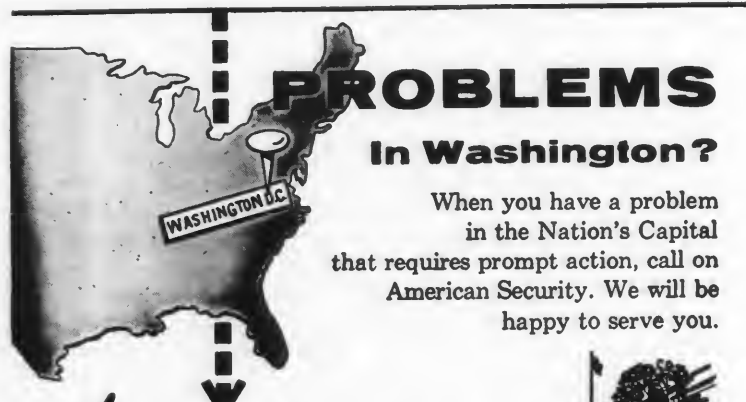
Elimination of featherbedding practices by labor and business.

Maintenance of a stable dollar as

an indispensable means to progress.

Relating wage and other payments in production to productivity—except when necessary to correct inequities—in order to help us stay competitive at home and abroad.

Spurring the economy by advancing the successful Eisenhower-Nixon program fostering new and small business, by continued active enforcement of the anti-trust laws, by protecting consumers and investors against the hazard and economic waste of fraudulent and criminal practices in the market place, and by keeping the Federal Government from unjustly competing with private enterprise upon which Americans mainly depend for their livelihood.



PROBLEMS In Washington?

When you have a problem in the Nation's Capital that requires prompt action, call on American Security. We will be happy to serve you.

American Security
& TRUST COMPANY



Washington, D. C.

Member Federal Deposit Insurance Corporation—Member Federal Reserve System

Imperial Boulevard MODULAR



In single units or modular groupings — whatever your needs — the Boulevard Group gives you all of the advantage of clean, modern styling. Write

Imperial desk company
evansville 7, Indiana

Improve Transportation

Continued improvement of our vital transportation network, carrying forward rapidly the vast Eisenhower-Nixon national highway program and promoting safe, efficient, competitive and integrated transport by air, road, rail and water under equitable, impartial and minimal regulation directed to those ends.

Carrying forward, under the Trade Agreements Act, the policy of gradual selective—and truly reciprocal—reduction of unjustifiable barriers to trade among free nations. We advocate effective administration of the Act's escape clause and peril point provisions to safeguard American jobs and domestic industries against serious injury. In support of our national trade policy we should continue the Eisenhower - Nixon program of using this Government's negotiating powers to open markets abroad and to eliminate remaining discrimination against our goods. We should also encourage the development of fair labor standards in exporting countries in the interest of fair competition in international trade. We should, too, expand the Administration's export drive, encourage tourists to come from abroad, and protect U. S. investors against arbitrary confiscations and expropriations by foreign governments. Through these and other constructive policies, we will better our international balance of payments.

Discharge by Government of responsibility for those activities which the private sector cannot do or cannot so well do, such as constructive federal-local action to aid areas of chronic high unemployment, a sensi-



**135 PLANES
78 TRAINS**

**speed our
night transit service**

Cleveland's excellent transportation facilities, plus National City's speedy Night Transit Service save a day or more in check presentation. Float is reduced, availability increased, return items are expedited.

If you're not already a National City Bank correspondent, write for full particulars.

The
**NATIONAL
CITY BANK**
of Cleveland

623 EUCLID AVENUE, CLEVELAND 1, OHIO
Member Federal Deposit Insurance Corp.

**THREE WAYS TO SELL
BANKING SERVICE**

- *1. Run an all-out sales campaign and reward staff performance.
- *2. Strengthen customer ties at special occasions.
- *3. Recognize employee faithfulness.

*STIMULATION → W&A customized jewelry!



Ask for
12 page booklet.

WILLIAMS & ANDERSON CO.
INDUSTRIAL DIVISION
Emblem Manufacturers since 1901
14 Third Street, Providence 6, R. I.

ble farm policy, development and wise use of natural resources, suitable support of education and research and equality of job opportunity for all Americans.

"Action on these fronts, designed to release the strongest productive force in human affairs—the spirit of individual enterprise—can contribute greatly to our goal of a steady, strongly growing economy."

Government Finance

To build a better America with broad national purposes such as high employment, vigorous and steady economic growth, and a dependable currency, responsible management of our federal finances is essential. Even more important, a sound economy is vital to national security. While leading Democrats charge us with a "budget balancing" mentality, their taunts really reflect their frustration over the people's recognition that as a nation we must live within our means. Government that is careless with the money of its citizens is careless with their future.

Because we are concerned about the well-being of people, we are concerned about protecting the value of their money. To this end, we Republicans believe that:

Every Government expenditure must be tested by its contribution to the general welfare, not to any narrow interest group.

Except in times of war or economic adversity, expenditures should be covered by revenues.

We must work persistently to reduce, not to increase, the national debt, which imposes a heavy economic burden on every citizen.

Our tax structure should be improved to provide greater incentives to economic progress, to make it fair and equitable, and to maintain and deserve public acceptance.

We must resist assaults upon the independence of the Federal Reserve System; we must strengthen, not weaken, the ability of the Federal Reserve System and the Treasury Department to exercise effective control over money and credit in order better to combat both deflation and inflation that retard economic growth and shrink people's savings and earnings.

In order of priority, Federal revenues should be used: first, to meet the needs of national security; sec-

(CONTINUED ON PAGE 142)

Keep your
eye
on the
ball



WITH ALLISON PAYMENT BOOKS,
all installment repetitive detail is out. You can't miss having a low average cost per payment.

Only two steps are needed to complete "new business accounting."

1. Type the billing set.
 2. Perforate the Allison Coupon Book.
- You are then ready to accept payments and your customer is prepared to make them. For immediate account billing and simplified procedure, plus low handling cost per payment, use Allison's Coupon System.

FREE
*Information Booklet
and Samples*

ALLISON COUPON COMPANY, INC.
P. O. Box 102, Indianapolis 6, Indiana

Please send me information on how the Allison Coupon System reduces cost per time payment.

Name _____
Firm _____
Address _____
City and State _____

mail coupon today to...
**ALLISON COUPON
COMPANY, INC.**
P. O. Box 102, Indianapolis 6, Indiana



SPOTLIGHT ON PROGRESS — *The Chase Manhattan plans to occupy its new headquarters in the fall of 1960.*

The Chase Manhattan— *your address in New York*

Getting things done in New York for almost 4,000 correspondent banks and their customers is a man-sized project. In effect, The Chase Manhattan is the New York “office” of each correspondent.

The other side of the coin shows these same correspondents doing things for The Chase Manhattan in their areas.

This exchange of banking talent, services and ideas is a major reason why the nation’s commercial banking system operates smoothly and effectively, benefiting every corner of the American economy.

Now on Downtown New York’s financial skyline is sixty-story proof that The Chase Manhattan intends to do an even better job for its banking friends. The new head office of the Bank will devote much of its space and facilities to the servicing of correspondent banks.

By anticipating the needs of correspondents, the people at The Chase Manhattan insure service that gets things done for their banking friends—not only in New York but throughout the world.

Perhaps that is why almost half of *all* banks with a New York correspondent have selected The Chase Manhattan.

Why don't you talk to the people at The Chase Manhattan?

THE CHASE MANHATTAN BANK

Chartered 1799

Head Office: New York 15

Member Federal Deposit Insurance Corporation

IN CORRESPONDENT BANK SERVICE . . .

Personal Attention Counts

Count on the officers of the Barnett for that extra personal attention.

The BARNETT NATIONAL BANK

of Jacksonville

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



ond, to fulfill the legitimate and urgent needs of the nation that cannot be met by the states, local governments, or private action; third, to pay down on the national debt in good times; finally, to improve our tax structure.

Undertake Right Things

National security and other essential needs will continue to make enormous demands upon public revenues. It is therefore imperative that we weigh carefully each demand for a new federal expenditure. The Federal Government should undertake not the most things nor the least things, but the right things.

Achieving this vital purpose demands:

That Congress, in acting on new spending bills, have figures before it showing the cumulative effect of its actions on the total budget.

That spending commitments for future years be clearly listed in each budget, so that the effect of built-in expenditure programs may be recognized and evaluated.

That the President be empowered to veto individual items in authorization and appropriation bills.

That increasing efforts be made to extend business-like methods to Government operations, particularly in purchasing and supply activities, and in personnel.

It's Citizens with the information you wanted on Southern California



CITIZENS NATIONAL BANK

Los Angeles
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

AIR REDUCTION

Company, Incorporated



173rd CONSECUTIVE

COMMON STOCK DIVIDEND

The Board of Directors has declared a regular quarterly dividend of 62½¢ per share on the Common Stock of the Company, payable on September 6, 1960, to holders of record on August 18, 1960, and the thirty-fifth regular quarterly dividend of \$1.125 per share on the 4.50% Cumulative Preferred Stock, 1951 Series, of the Company, payable on September 6, 1960, to holders of record on August 18, 1960.

July 27, 1960.

T. S. O'BRIEN, Secretary

Do Your Directors Read BANKING?

DO YOU NEED

New Ideas

on cover designs for passbooks or check cases?

Our Art Department will gladly submit special designs on request, without any obligation.

WILLIAM EXLINE INC.
1270 Ontario Street • Cleveland • Ohio

TRAVEL SERVICES



"Your mind traveling again, Travis?"

Denver United States National Bank, Denver, Colorado

Architect: James S. Sudler, A.I.A., Denver, Colorado; General Contractor: N. G. Petry Construction Co., Denver, Colo.



a fingertip touch opens these 850-lb. doors

The instant you touch one of these huge 850-lb. bronze and HERCULITE® Glass Doors, it glides open. Credit the PITTCOMATIC® door operator for the effortless assist. PITTCOMATIC is hydraulically operated. Its mechanics are extremely simple. Once its controls are set, you can forget about adjustments. No mechanism mars the door's trim lines—PITTCOMATIC is invisible.

PITTCOMATIC is available in handle or mat operated systems. Installation is easy, even on remodeling jobs. These are a few of the reasons PITTCOMATIC is the nation's number one automatic door operator. For more information, contact your PPG branch or distributor today. Pittsburgh Plate Glass Company, Room 0123, 632 Fort Duquesne Blvd., Pittsburgh 22, Pa.



Pittsburgh Plate Glass Company

Paints • Glass • Chemicals • Fiber Glass

In Canada: Canadian Pittsburgh Industries Limited

Northeast

(CONTINUED FROM PAGE 81)

ing and money market functions? If the downtown crush gets worse and the journey to work longer and more uncertain, can the banks depend on a clerical labor supply? With the vast scope possible, though perhaps not yet practicable, for automation in the clearing house and money market (such as simultaneous computer accounting and clearing of checks and securities), will some essentially clerical aspects of banking remain vital? These are some of the challenges that face banking in New York City in the era of the new technology, Megapolis, and the westward shift.

Banking's Future in the Nation and New York

Prospects for banking asset growth in the nation and New York region are illustrated by accompanying tables. Loan totals for the nation for consumer, business, real estate, and securities loans are due to Robbins and Terleckyj. They assume the economy will expand rapidly,

with productivity rising at an average 2.5% rate and population growing at roughly historical rates.

Regional breakdowns of major loans of insured commercial banks for 1965 are not comparable to Robbins and Terleckyj's figures. The 1965 total for the nation is derived by projecting the percentage increase during the 1950-59 decade five years ahead. Regional totals assume that the national share of a region in 1965 will be the same as in 1959.

Of course, we know that shares of the regions in national totals will change. The indication is a shift in favor of West, Southeast, and Southwest, against Northeast and Middle Atlantic, and possibly slightly against Midwest.

By 1985 consumer credit in the nation may rise to 17% of disposable income, calculated at \$886-billion, and be 4½ times its 1956 total. By then, business loans may be about 3 times, real estate loans about 4.4 times, and securities loans over 3 times their respective 1956 totals.

Because of aggressive competition, banks must show vigor to increase their share of either consumer or real estate loans. Yet these are the

areas in which increases are expected to be highest in the next two decades. Business and securities loans are both subject to long-term trends limiting their growth; the one by internal financing and automation of inventory control, the other by increasing tendency toward Government regulation and scrutiny.

New York's share of consumer credit loans is expected to remain roughly the same 18% of the nation's total in 1985. Its share of disposable income is, however, expected to drop from 12.2% in 1956 to 11.3% in 1985. Hence, its consumer loan gain would be less than three times, to \$8.8-billion. New York banks' business loan share is assumed to remain constant, yielding a more than twofold gain, to \$32.5-billion, by 1985. The lagging economic growth of the region in the next 25 years implies a slight decline in real estate loan shares, from 9.6% in 1965 to 9.1% in 1985, and a four-fold gain, to \$8.1-billion, by 1985.

As for securities loans, the tendency of out-of-town brokers and dealers to finance locally means a reduced share for New York City

(CONTINUED ON PAGE 146)

This advertisement appears as a matter of record only.

NEW ISSUE

\$50,000,000

BENEFICIAL FINANCE CO.

SUBORDINATED NOTES DUE JULY 15, 1980

*Direct placement of these Notes with institutional investors
has been negotiated by the undersigned.*

EASTMAN DILLON, UNION SECURITIES & CO.

NEW YORK
BOSTON

PHILADELPHIA
BALTIMORE

CHICAGO
HARTFORD

LOS ANGELES
CLEVELAND

We go miles out of our way to be helpful

(Hubert, the Harris Lion, tells another true story about our correspondent service)

"Not too long ago, one of our Harris men was visiting at a correspondent bank when a customer came in with a ticklish problem. He wanted to sell a piece of farm equipment and he wanted to sell it *that day*. But he couldn't close the deal until the buyer's check, which was drawn on a bank in a neighboring town, had cleared.

"Well, right then and there our man volunteered to drive to the town (15 miles), have the check cleared, and get word to the bank right away. That's what he did. The check was good, of course, and the deal went through that afternoon.

"Our correspondent customers get first-rate *professional* service. But the big thing at Harris is *personal* service. We hope you'll keep this in mind when you're thinking about a new correspondent relationship. We'd like to have you with us."



New home for a great tradition

This is the enlarged Harris Bank Building at Clark and Monroe Streets, with the 23-story addition soon to be completed. Here in Chicago's newest large banking home, the Harris tradition continues. The heart of the Harris remains in the *people* who serve you.



HARRIS *Trust and Savings* BANK

Organized as N. W. Harris & Co. 1882—Incorporated 1907
111 WEST MONROE STREET—CHICAGO 90
Member Federal Reserve System... Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 144)

banks, from about 3/4 to 1/2 the country's total by 1985. Securities loans to others are expected to remain the same 30%; hence a fourfold increase

in total securities loans by 1985 is projected.

Manpower requirements for financial activities (see charts) will increase more rapidly than the nation's labor force, despite automation and

its resulting productivity gain, averaging 3% or more in terms of man-hours per million dollars of assets. Thus, based on 1955 manpower requirements, commercial banks are expected to employ 526,000, 633,000 and 760,000 in 1965, 1975, and 1985. New York banks, with their size advantage, show smaller needed totals of 87,500, of 106,100, and of 130,100 in those years.



THE INDUSTRIAL BANK OF JAPAN, LTD.

Head Office: Marunouchi, Tokyo, Japan

New York Office: 30, Broad Street, New York 4, N.Y.

HELP WANTED . . . MALE

WANTED—Men to call on Banks and Savings and Loan Associations to sell popular holiday item. Part time or full time. We are a leader in the field of financial advertising and promotion. We offer a choice of prime territories to ambitious men. If you're interested in making a year's profit in three months send complete information to Box WEM 960, Banking, 12 E. 36th Street, N. Y. 16, N. Y. Our salesmen are aware of this ad.

THE Credit Life

INSURANCE COMPANY

Springfield, Ohio

Licensed in all 50 States.

D. C. and Canada

100,000 bankers read BANKING every month

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BANKING STUDIES

Branch Locations

225 East 46th St., New York 17, N. Y.

NEW ACCOUNTS with a FUTURE
CONSULT THE EXPERTS
SCHOOL SAVINGS the MODERN WAY
IT PAYS TO TRAIN CHILDREN
EDUCATIONAL THRIFT SERVICE at its best
165 CHURCH ST. NEW YORK 7, N.Y.

The Prospect

The long-range impact of advancing technology has produced a revolution in the geographical organization of industry and finance in this country. Its unfolding in the Twentieth Century has produced the westward shift and the explosive growth of super-cities.

As a result, the Far West, Southwest, and Southeast have gained in their share of the national economy at the expense of older Northeast and Central regions. Yet the Northeast still remains the nation's financial center and New York its capital.

The Northeast will probably retain its role as the nation's financial center in the coming decades. But the accelerated pace of technological advance promises to intensify the tendencies now under way. The advance implies a more rapid diffusion of economic activity and financial resources through the country. Yet it does not deny the possibility of increased scope for decision-making in national industrial and financial headquarters. Central computer networks feed management with nationwide data. But faster transportation brings the country and New York closer together. Whether the new technology increases or decreases centralization, it surely increases interdependence and speeds up change.



"Just don't tell the same stories you told last year in Florida!"



**HIGHER
COMMISSIONS**

THE BALANCED PLAN GEARED TO YOUR REQUIREMENTS

A sound and profitable insurance program cannot possibly be standardized and still properly serve the needs of every Financial Institution. Rather, it must be carefully surveyed and balanced to meet individual requirements.

The American Plan Corporation, specialists in the field of Consumer Credit Insurance, has pioneered in the creation of simple insurance packages constructed to fit the dimensions of the particular Financial Institution.

Our package plans include Physical Damage coverages and Credit Life and Disability Insurance related to the financing of automobiles, mobile homes and small boats, and our program includes all of the protective coverages so necessary to sound lending practices - Errors and Omissions, Single Interest and Dealer Wholesale Insurance.

Our varied programs, each of which is supported by our technical skills and statistical services, have been installed and acclaimed by Lenders throughout the United States and Canada.

**LOWER
LOSS
RATIOS**

Without any obligation whatsoever on your part, we will be pleased, upon request, to analyze your insurance program.

THE **American Plan** CORPORATION

*The World's Largest Management Corporation
Specializing in Consumer Credit Insurance for Financial Institutions*

MARK M. HART, PRESIDENT, 99 PARK AVE., NEW YORK 16, N. Y. • OXFORD 7-1545



PROTECTED—A snap from center... the opposing line charges... a linebacker waits for the runner... the ball-carrier depends on his blockers for maximum protection.



**When it comes to Inventory Loans...
LOOK TO ST. LOUIS TERMINAL
for MAXIMUM PROTECTION**

Bankers everywhere are learning how SLT Warehouse Receipts increase protection on *present* and *new* loans. Let your SLT man show you how to turn almost any type of marketable inventory into sound collateral backed by SLT receipts. Get the facts. Call your nearest SLT office today.

**ST. LOUIS TERMINAL
FIELD WAREHOUSE CO.**

Executive Offices: 826 Clark Ave., St. Louis 2, Mo.



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BATON ROUGE, LA.
516 Florida St.
CHICAGO, ILL.
5967 W. Madison Ave.
CINCINNATI, OHIO
Rm. 426, 307 E. 4th St.
CLEVELAND, OHIO
6688 Pearl Road
DALLAS, TEXAS
5526 Dyer Street

District Offices:

HOUSTON, TEXAS
1213 Capital Ave.
JACKSON, MISSISSIPPI
600 Milner Building
JACKSONVILLE, FLORIDA
Suite 6, 317 W. Forsyth St.
KANSAS CITY, MISSOURI
4550 Main Street
LITTLE ROCK, ARKANSAS
802 Rector Building
LUBBOCK, TEXAS
822 Lubbock Nat'l Bank Bldg.

MEMPHIS, TENNESSEE
2071 Union Avenue
NEW YORK, N. Y.
Rm. 852, 11 Broadway
PHILADELPHIA, PA.
600 Commercial Trust Bldg.
ST. LOUIS, MISSOURI
926 Spruce Street
SAN FRANCISCO, CALIF.
1515 Sloat Blvd.
TAMPA, FLORIDA
32-A Western Union Bldg.

WICHITA, KANSAS, Rm. 212, 104 S. Broadway

**Letters Promote
Savings Bond
Sales**

SOME 3,000 banks throughout the country have sent a total of more than 10,000,000 special letters to their depositors since the first of the year, recommending the purchase of United States Savings Bonds, according to the Savings Bonds Division of the U. S. Treasury Department.

In making this announcement, the Treasury said that banks have always been an integral part of the Savings Bonds program, especially during the past 19 years of the popular Series E bond. About 80% of all E bonds are issued by banks as a free service.

Some of the largest banks in the nation are among those which have sent bond letters to depositors, usually over the signature of the bank president. For example, Chase Manhattan of New York, second largest in the United States, mailed out 300,000 such letters recently.

Extracts from Bank Letters

One bank wrote its depositors: "We should like you to enjoy every advantage that accrues to customers of this bank. One service we are especially happy and proud to offer—and which we perform without charge to you or to our Government—is the sale of United States Savings Bonds. In our opinion, they are a better buy today than ever before."

Another said: "Advising our customers on money matters is one of our key services. Thus I should like to call your attention to what I consider the best buy ever offered in U. S. Savings Bonds."

A bank in the Midwest told its depositors: "We would like to remind you of the advantages of saving regularly with United States Savings Bonds. We are glad to do this as a service to our depositors and to our country, because Savings Bonds are a sound, riskless investment"

(CONTINUED ON PAGE 150)

The right kind of correspondent banking
is like the water you drink.
It costs you practically nothing—and you can't
get along without it. You tap
the Philadelphia area's richest "reservoir"
of correspondent experience and
helpfulness when you do business with

THE PHILADELPHIA NATIONAL BANK

ORGANIZED 1803. Member Federal Deposit Insurance Corporation



There are times when bankers cannot make available to a client the full amount of money desired.

In many such cases Commercial Factors can assist we offer a wide range of credit and financial services. These include—

- Old-line factoring
- Non-notification factoring
- Accounts receivable financing

Supplementing these forms of financing, we make funds available to our clients on a secured or unsecured basis to support inventory, for machinery purchases, plant expansion programs, mergers, acquisitions, etc.

Our relationship with leading bankers has always been one of mutual profitability. We welcome inquiries regarding our services, and will be pleased to send a copy of our current statement. Call or write directly to Mr. Walter M. Kelly, President.

Commercial Factors Corporation

One Park Avenue • New York 16, N. Y.

Established 1828

*What Do Your Rates
Really Earn?*

The American Book of SIMPLE INTEREST YIELDS

Price \$25 per copy, postage prepaid.

AMERICAN CHARTS COMPANY

Box 12213 - Atlanta 5, Georgia

(CONTINUED FROM PAGE 148)

ment and because they exercise a stabilizing influence upon the national economy, thus safeguarding the value of the dollar and the freedoms we now enjoy."

... Staff Will Be Glad To Help

A bank in the Southeast had this to say: "This bank has been handling Savings Bonds for our customers for many years. We do it as a service without cost to the buyer or to the Government. Besides the security and the interest your savings earn, you will have the satisfaction of knowing your money is helping to keep our economy sound. We'll be glad to set up a program of monthly investment whereby we purchase bonds for you regularly every month—or at whatever intervals you select. Any of our staff will be glad to help you next time you're in the bank."

Advertisements

Contributed

In addition to their support through letters to their depositors, hundreds of banks regularly run paid Savings Bond messages in the advertising columns of their local newspapers. Many banking publications, including **BANKING**, also contribute space for Savings Bond ads.



HARRY MACE
"Have one drink, then your dinner, a small brandy with your coffee . . . make your speech and be home at eleven-thirty"

...adequate.....in their day...

BUT ...

**modern banking
requires
modern protection!**

The fundamentals of locking a door are the same today as they were a hundred years ago. Only the techniques and devices have changed.

Modern bank protection involves much more than locks — no matter how perfect.

In supplying blanket bonds and other types of insurance to fill this need we offer a broad and intimate knowledge of modern protection plus the ability to meet individual requirements. For complete protection insist on Federal coverage.



FEDERAL INSURANCE COMPANY

into which has been merged

THE UNITED STATES GUARANTEE COMPANY

CHUBB & SON, INC., Manager

90 John Street, New York 38, N. Y.



He "retired", toured Europe without a dime of his own!

They caught him a few weeks later, but he had already spent many of the tens and twenties stuffed inside his brief case. Funny thing, too. The bank where he worked regarded him as an "honest, trusted" employee. These days he has lots of company. Dishonest employees are stealing from banks at a record rate. Good reason why you should review your bank's insurance program now with your independent agent or broker. Bankers Blanket Bonds (including special catastrophe protection) written by Fireman's Fund and National Surety can give your bank full protection from fraudulent, dishonest or criminal acts. Look to the **Fund of Experience** — safeguard your bank's financial resources—before one of your employees heads South, or North, East, or West.

NATIONAL SURETY CORPORATION

Central Bonding Offices:
3333 CALIFORNIA STREET, SAN FRANCISCO
110 WILLIAM STREET, NEW YORK
Branch Offices in Principal Cities in America

The  **FUND** Insurance Companies

YOUR  **AGENT**
"SERVE YOU FIRST"

FIREMAN'S FUND INSURANCE COMPANY
HOME FIRE & MARINE INSURANCE COMPANY
NATIONAL SURETY CORPORATION

Business School Borrows for Student Loans

THE Stanford Graduate School of Business, at Stanford University, announces that it will meet a need of funds for an expanded student loan program by borrowing from banks. The school will lend students up to \$4,000 during the 2-year course of study. Payments on interest and principal begin six months after graduation.

Security First National Bank of Los Angeles is the first bank to join Stanford in the program. Funds will be available this fall.

Dean Ernest C. Arbuckle said that private gifts for student loan funds had become "increasingly inadequate to meet the growing need," and that the school had lost good students because of limited finances.

The loan program is a project of the school's Advisory Council, whose chairman is Elden Smith, chairman of Security First's executive committee.

"Under the terms of the arrangement," said Stanford, "the Business School sets up a reserve which is 10% of the money loaned by the banks. This reserve is created by gifts, and enables the school to lend \$10 for every dollar donated to the fund.

"It is expected that the average loan will be less than the \$4,000 two-year maximum. While the student is in school, loans carry simple interest at 1% and thereafter bear 5% simple interest. Payment of principal and interest is deferred until six months after graduation but must be completed within five years. Students are legally obligated to repay. The Business School carries a group insurance policy to reimburse the fund in case a borrower dies."

FINANCIAL REPORT

Money's the stuff
That trouble's akin to,
Which people run out of,
And things run into.

—STEPHEN SCHLITZER



A cordial greeting

The ABA convention gives us a chance to talk banking with you. If we miss you at the convention, call us the next time you're in Chicago. We're at your service.

HOMER J. LIVINGSTON.....Chairman of the Board
 WALTER M. HEYMANN.....Vice-Chairman of the Board
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CHARLES L. MONROE	JACK W. HALLBERG	RAYMOND E. BRUEN
		DAVID R. MAIN

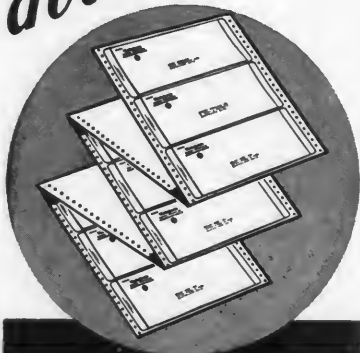


The First National Bank of Chicago

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

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

*fast...
attractive*



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CONTINUOUS
ENVELOPES**

**AUTOMATIC ADDRESSING
DIRECT From PUNCHED
CARDS OR TAPE**

Tabulating Bars provide sharp, clean addressing right on the envelope.

Your punched cards become your mailing list. No stencils or plates needed.

Chain-O-Matic Envelopes are available in both first and third class mail styles for:
Direct Mail Advertising
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Coupon Processing



Clip this coupon to your letterhead



1000 UNIVERSITY AVE. • ST. PAUL 4, MINN.

Please send samples and Chain-O-Matic Brachure to:

Name _____

Bank _____

Address _____

News for Country Bankers

(CONTINUED FROM PAGE 102)

Current Agricultural Situation

Farmers' realized net income in the first half of 1960 was at an average annual rate of approximately \$11-billion. This was 9% lower than in the first half of 1959, but only 3% below the estimate for the full year 1959.

Cash receipts from farm marketings in the first six months of this year were slightly smaller than a year earlier while production expenses were slightly higher.

In mid-July prices received by farmers advanced slightly from the June level because of seasonally higher prices for dairy products, and higher prices for most vegetables, cotton, hogs, and potatoes. The more important price declines were for cattle, peaches, and wheat. At 238 (1910-14=100), the index was about 1% below a year earlier.

A fractional lowering of the index of prices paid, interest, taxes, and farm wage rates was registered in mid-July. This was due to a decline of almost 3% in the seasonally adjusted index of farm wage rates coupled with lower costs for production items. Index levels for family living items, interest, and taxes were unchanged.

As a result of the movements in prices, the parity ratio rose 1.3% from June to a level of 80, a ratio 1.2% below July 1959.

More favorable yield prospects for corn, winter wheat, and oats raised earlier estimates so that crop production in 1960 will probably exceed the record of 1958 and 1959. With generally favorable crop prospects and record carryover stocks, supplies of wheat and feed concentrates in 1960-61 should be at a record high.

Seasonal increases in cattle and sheep marketings are underway and will exceed a year ago this fall. Hog marketings also will turn upward soon but will continue substantially below the fall of 1959.

Prepared by the U. S. Department of Agriculture

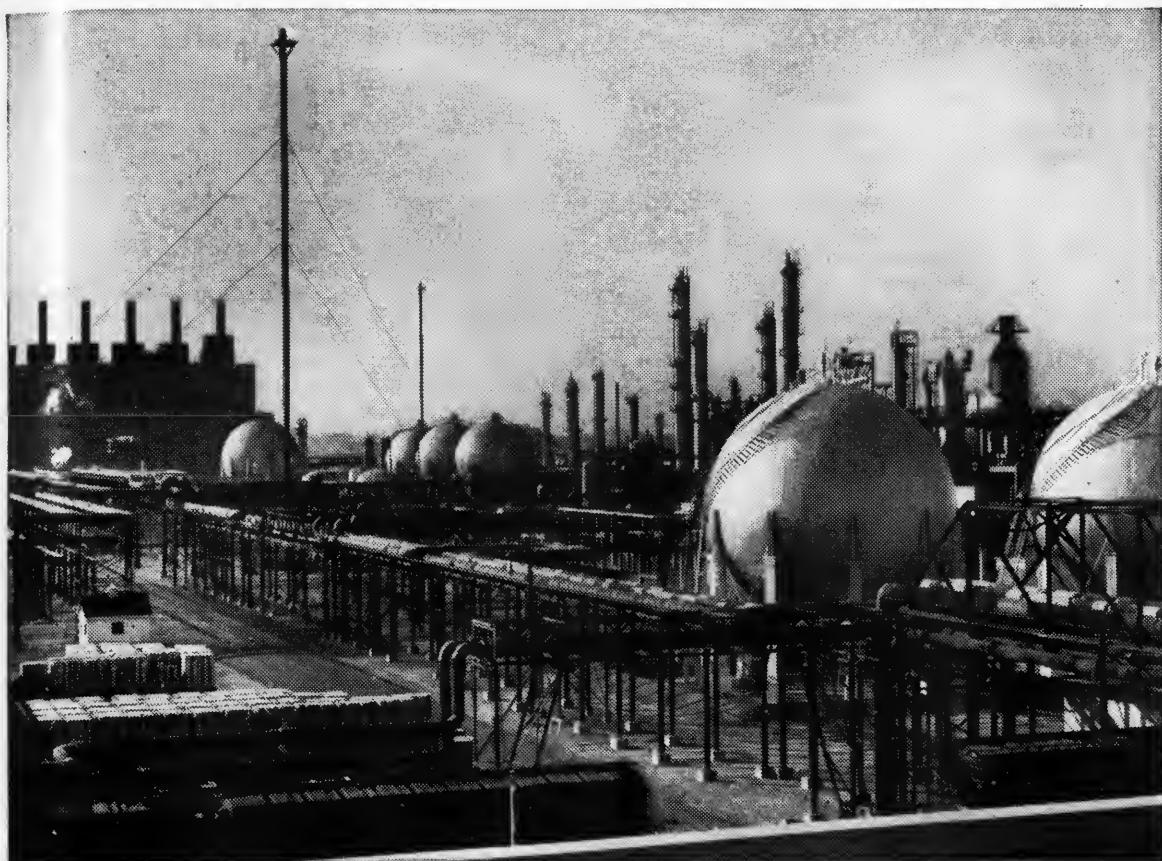
JAPANESE BANKERS STUDY U. S. METHODS

James L. Sharp, center, vice-president, First National Bank in St. Louis and chairman, Regional Export Expansion Committee of the U. S. Chamber of Commerce, welcomes Sigertaro Hirano of Shizuoka-Ken, Japan, the leader of a group of 12 Japanese visitors to the bank.

The group, representing small and medium-sized Japanese banks, visited financial institutions in 10 American cities to study small business credit operations, check automation, agricultural credit, and other phases of banking. The tour was under the auspices of the International Cooperation Administration.

Also shown are: E. L. Winkler, far left, rear, vice-president of First National; C. L. Beckers, fourth from left, rear, vice-president, St. Louis Trust Company; and F. W. Fletcher, rear, center, project manager, Office of Industrial Resources, Washington, D. C., who was in charge of tour arrangements.





How men and money find their reward *when they seek to work in MODERN CANADA*

Second largest country on the globe in area, Canada has become the world's sixth largest industrial nation, and ranks fourth in international trade. It is also one of the most diversified, in its manufacturing activities and in its vast resources of farm, forest, mine and fishery. United States businessmen have contributed to and are participating in Canada's rapid development.

United States bankers are invited, on their own account, or on behalf of their customers, to make use of the complete banking and

information facilities of The Canadian Bank of Commerce. Over 850 branches from the Atlantic to the Pacific and North to the Arctic serve all Canada. We will be pleased to answer your inquiries with regard to any industry, company, trading area or manufacturing district in Canada.

Address your inquiries to our
Business Development Division,
Head Office, Toronto 1, Canada

We do not advise on the merits of speculative securities.

THE CANADIAN BANK OF COMMERCE

HEAD OFFICE—TORONTO

More than 850 Branches across Canada

Branches also in London, England • New York • San Francisco • Los Angeles • Seattle • Portland, Ore.
Bridgetown, Barbados • Kingston, Montego Bay, Ocho Rios and Port Antonio, Jamaica
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Resident Representatives in Chicago, Illinois and Dallas, Texas • European Representative, Zurich, Switzerland



Bankers and Lawyers Amplify Estate Planning Rules

THE respective roles of trust institutions and attorneys-at-law in the matter of estate planning have been amplified in a statement issued last month by the National Conference Group. The group is composed of five representatives of the Trust Division, American Bankers Association, and five representatives of the American Bar Association.

The joint statement supplements one issued by the bar and bank group on February 8, 1950, entitled "Trust Advertising—Estate Planning Statement."

Co-chairmen of the group are Thomas J. Boodell of Chicago (bar association) and Don H. McLucas of Chicago (bankers association).

Contents of Statement

The statement follows:

The Statement of General Policies adopted by the National Conference Group formed by the American Bar


Association and the Trust Division of the American Bankers Association on September 27, 1941, and thereafter approved by both associations is hereby reaffirmed.

The proper planning of an individual's estate, so as to provide for the orderly arrangement of his property and affairs in such manner as to take care of his needs and those he may wish to benefit after his death, is definitely in the public interest. Trust institutions and lawyers working together can be of great public aid in this field. The consideration of an estate plan requires expert and considered knowledge as to the investments and as to the way in which investments are to be dealt with in an estate plan. Corporate fiduciaries, through their broad experience in relation to these matters, are of substantial assistance. The setting up of the estate plan sometimes requires conferences which have to do with the kind and character of the assets of the estate in question. In connection with these matters, there are bound to arise, sometimes at the outset and certainly

in the course of the planning of the estate, numerous legal problems involving law of all kinds in which it is essentially necessary for the person seeking to plan his estate to have competent legal advice. The harmonious understanding of the proper functions of corporate fiduciaries and lawyers in matters of this kind has been developed and made great progress since the creation of our National Conference.

A trust institution is granted charter powers to act as a fiduciary and to conduct a trust business. It may analyze the assets and estates of its customers and discuss with them the problems, other than those involving the giving of legal advice, of disposition of such assets and estates and the services and facilities of the trust institutions that may be used in aid of carrying out such dispositions. The experience acquired by trust institutions in handling trust estates of various kinds is of great value in assisting a person planning his estate. Hence trust institu-

(CONTINUED ON PAGE 158)



The illustration features a large globe with latitude and longitude lines. In the foreground, a steamship is sailing on the water. To the right of the globe, a propeller-driven airplane is flying. The globe is rendered with a stippled texture.

FINANCING WORLD TRADE

is our
business

Swiss Bank

CORPORATION

SOCIETE DE BANQUE SUISSE
SCHWEIZERISCHER BANKVEREIN
SOCIETA DI BANCA SVIZZERA

ONE OF THE WORLD'S LEADING
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CAPITAL & SURPLUS: SW. FCS 300,000,000

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10 West 49 St., New York 20, N.Y.

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Head Office: Basle
Offices in Principal Cities

Affiliates in Montreal and Casablanca
Representatives in Paris, Rio de
Janeiro, São Paulo, Buenos Aires
Correspondents around the world



Member of the Federal Deposit Insurance Corporation

Today more than ever the banker's bank in New England

HEAD OFFICE: 67 Milk St., Boston, Massachusetts — Branch Offices throughout the City

Represented in New York by The First Bank of Boston (International), 2 Wall Street

Overseas Branches: IN ARGENTINA — Buenos Aires, Avellaneda and Rosario • IN BRAZIL —

Rio de Janeiro, Sao Paulo and Santos • IN CUBA — Havana, Santiago, Cienfuegos and Sancti Spiritus

IN EUROPE — Representative Office: 27-32 Old Jewry, London, E. C. 2, England

Correspondent banks throughout the world

Personal and Corporate Trust Service through our Allied Institution: Old Colony Trust Company

LEADERS IN INTERNATIONAL BANKING

SINCE 1880

We are ready to serve you in every corner of the world

Toronto, New York, Seattle, San Francisco, Los Angeles
Gardena, Mexico City, Rio de Janeiro, São Paulo
Buenos Aires, London, Hamburg, Düsseldorf, Brussels
Paris, Alexandria, Beyrouth, Baghdad, Teheran, Karachi
Bombay, New Delhi, Calcutta, Rangoon, Bangkok
Vientiane, Phnom-Penh, Saigon, Kuala Lumpur
Singapore, Djakarta, Manila, Hong Kong, Sydney

HEAD OFFICE: TOKYO, JAPAN

BANK OF TOKYO

Standard TUBULAR COIN WRAPPERS

are easy to identify . . . distinctive colors for various coin denominations . . . extra heavy weight paper . . . easy to open and fill by machine or hand . . . no "finger-fumbling" — or loss of time and tempers!

ADDED FEATURES

- Clear, clean printing
- Easy to open by squeezing between thumb and forefinger.
- Extra heavy Northern Kraft.
- Narrow, strong center seam.
- Packaged for convenient storage.

A complete money-packaging line including:

- CARTRIDGE CONTAINERS
- WINDOW COIN WRAPPERS • CURRENCY STRAPS and BILL BANDS



STANDARD PAPER GOODS MFG. CO.

Dept. 307 Worcester 8, Massachusetts

Please send free samples of coin and money wrappers with descriptive literature to:

Name _____

Street _____

City _____

State _____

STANDARD . . . wherever money is wrapped!

(CONTINUED FROM PAGE 156)

tions are often consulted by their customers in relation to these matters. However, any such discussions involving the disposition of the assets and estates of such customers should be general and preliminary only and subject to the consultation and advice of the customer's own lawyer.

The primary purpose of participation in estate planning by the trust institution should be to motivate its customer to initiate the arrangements for the orderly disposition of his assets and to confer with his own lawyer or a lawyer of his choosing regarding those arrangements. In reviewing the assets and estate of its customer, the trust institution should at the earliest practicable date include the customer's own lawyer in the development of the plan.

Because the formulation and execution of a plan for the disposition of a customer's assets necessarily involves the application of legal principles, of the law of wills and decedent's estates, the law of trusts and future interests, the law of real and personal property, and the law of taxation, as well as practice in the Probate and Chancery Courts, and other fields of law, advice in respect thereto is the responsibility of the customer's own lawyer.

Accordingly, there should be no implication in its advertising by a trust institution that legal services will be rendered by it or that the services of a lawyer are unnecessary or only ministerial. Trust company advertising should be dignified and should not overstate or overemphasize its qualifications in this field.

Since the adoption of the original Statement of General Policies on September 27, 1941, and the creation of this National Conference Group, it is gratifying to note the very great cooperation that has developed between corporate fiduciaries and lawyers in rendering this important mutual service to the American public.

Representatives of Two Groups

Representing the American Bar Association on the National Conference Group, in addition to Mr. Boodell, are A. James Casner, Cambridge, Mass.; Andrew Hourigan, Jr., Wilkes-Barre, Pa.; Edwin M. Otterbourg, New York City; and Joseph Trachtman, New York City.

Representing the Trust Division of the American Bankers Association, with Mr. McClucas, are H. M. Bardt, Los Angeles, Calif.; Carllysle A. Bethel, Winston-Salem, N. C.; William H. Gambrell, New York City; and Joseph W. White, St. Louis, Mo.

Now Give Your File

Clerks 20-Foot Arms

... with **Conserv-a-matic**,
the most revolutionary
advance in filing
systems in 100 years!

- Contains twice the capacity in half the space of file cabinets
- Reduces the number of clerks needed for filing by as much as 40%
- Speeds filing time by as much as 48%
- Ideal for the one-girl office or the larger company requiring work station or aisle installations
- Insures greater efficiency, less fatigue, higher morale and greater productivity with less personnel turnover



CONSERV-A-MATIC®

Makes every inch pay

- **Conserv-a-matic** contains shelves, suspended in tiers, which revolve to a central work station by an electrically operated conveyor system
- Plugs into any wall outlet, like an electric typewriter
- A typical unit has the capacity of 5½ conventional filing cabinets
- Custom units can be built to any height, to take advantage of existing office space

Dealers in: Chicago, Detroit,
Hartford, Los Angeles, Miami,
New Haven, San Francisco,
Boston and other key cities.

Write for illustrated brochure.

SUPREME STEEL EQUIPMENT CORP.
Manufacturers of **Conserv-a-file**
and other fine office equipment.

53rd Street and 1st Avenue
Brooklyn 32, New York



"Savings Bank" Game Teaches People to Save

"ONE of the most unusual promotional ideas in banking circles is currently catching the interest of savings bankers throughout the state," reports *Savings Bank News*, published by the Savings Banks Association of the State of New York.

The game has been developed for the exclusive use of members of SBASNY as part of the association's continuing public relations educational program.

"The game is a fun-way of teaching people about savings banks and the basic idea of savings," reports the *News*. "Two or more people can play the game to get possession of a camera, a hi-fi stereo recording machine, and a car. To do this, a player must acquire money to purchase the articles."

Continuing its explanation of the game, the *News* states:

"Each player starts off with \$100 and, as he proceeds around the board, he must pay certain expenses. There

Charles W. Gleason, president, Savings Banks Association of the State of New York and president, Green Point Savings Bank, Brooklyn, plays "Savings Bank" with Barbara Ryniec and Robert Russo, children of Green Point employees



are also ways to increase his money. Every time he goes by the starting point on the board he gets another \$100 and every time he goes by the savings bank he can deposit money and earn interest."

As the player runs up expenses he may run out of cash, so he bor-

rows, at interest, from the treasurer.

Some banks plan to use the game as a new account premium, as a savings stimulant for present customers, and in school savings and other youth group activities.

The game was developed by an enterprising advertising man.

The best place to deal with a banking problem is on the **spot!**

- Thirty offices in 21 Connecticut communities put Connecticut right at your finger tips.
- Able, experienced, specialized personnel handle your inquiries.
- Our correspondent banking service is tailored to your exact needs.

... that's why you'll find it a very satisfying experience when The Connecticut Bank and Trust Company serves you as correspondent. Write, wire or phone for full information.



**The Connecticut Bank
AND TRUST COMPANY**

HARTFORD, CONNECTICUT

Member Federal Deposit Insurance Corporation
Member Federal Reserve System



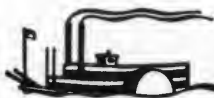
COTTON WAS KING . . . Steamboat Gothic was a popular and ornate architectural style . . . and the second Steamer Robt. E. Lee was plying the river between Vicksburg and New Orleans when the predecessor of The National Bank of Commerce in New Orleans established correspondent relations with Boatmen's.

A close correspondent affiliation has been maintained throughout the ensuing 81 years. Mr. John Oulliber, president of the bank, attests that National Bank of Commerce is very much pleased with the services Boatmen's has rendered during this long association.

Enduring relationships with the "Oldest Bank West of the Mississippi" are founded on Boatmen's complete facilities and more than a century of experience. Whatever your correspondent needs in the great Mississippi Valley, you'll find it's good business to do business with Boatmen's.

*The National Bank of Commerce
in New Orleans*

**Since 1879...
a correspondent
of Boatmen's**



Member Federal Deposit Insurance Corporation
Oldest Bank West of the Mississippi

The **Boatmen's**

NATIONAL BANK

OF SAINT LOUIS

BROADWAY & OLIVE

600

New Books

PRICE DETERMINATION IN OLIGOPOLISTIC AND MONOPOLISTIC SITUATIONS. By *Wilford J. Eiteman*. School of Business Administration, University of Michigan, Ann Arbor. 46 pp. \$1.50 paper, \$2.50 cloth. Explanation of the concept and computation of an equal profit curve and a description of its practical application.

THE FOUNDATION DIRECTORY: Edition 1. The Foundation Library Center. Russell Sage Foundation, New York. 817 pp. \$10. Information on 5,202 foundations having total assets of more than \$11.5-billion, with indexes listing them alphabetically, classifying by fields of interest, and listing officers and governing board members.

THE ECONOMIC BACKGROUND TO INVESTMENT. By *H. B. Rose*. Cambridge University Press, New York. 661 pp. \$7.50. A text designed primarily for actuarial students preparing for the examinations of the British Institute of Actuaries and the Faculty of Actuaries. It also broadly surveys the economic background.

50 OFFICES IN COLOMBIA SERVE INTERNATIONAL TRADE

Nearly half a century of experience in providing commercial and financial information has built this bank into one of the largest organizations in Colombia serving export and import trade. Our 49 branches, located throughout the country, are completely equipped to meet your requirements for facts and for banking facilities. Inquiries for specific information will be promptly answered.

BANCO COMERCIAL ANTIOQUEÑO

Established 1912

Head Office: Medellin, Colombia, South America

Cable address for all offices—BANCOQUIA

Vicente Uribe Rendon, *General Manager*

Juan Lurs, *Foreign Manager*

Capital paid up and Capital Reserve over Col.\$76,000,000

Total assets over Col.\$600,000,000

THE QUALITY AND ECONOMIC SIGNIFICANCE OF ANTICIPATIONS DATA. Princeton University Press, Princeton, N. J. 466 pp. \$9. Papers and discussions at a conference of the Universities - National Bureau Committee for Economic Research, held at Princeton in November 1957.

THE SOCIOLOGY OF COLONIAL VIRGINIA. By *Morris Talpalar*. Philosophical Library, New York. 371 pp. \$6. A study of social institutions and cultural values.

EMPLOYMENT OUTLOOK IN THE BANKING OCCUPATIONS. Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 10 cents. This is a reprint from the 1959 *Occupational Outlook Handbook*, prepared by the Bureau of Labor Statistics in cooperation with several other agencies. Contents covers bank clerks and related workers, tellers, and bank officers.

When is a Tax-exempt Bond not Tax-exempt?

To resolve the paradox quickly, it is not tax-exempt when it sells at a discount. This is because the discount is taxable as a capital gain at maturity.

Recently, when many low-coupon municipals have been selling at a deep discount, investors have hesitated to purchase because of uncertainty as to yield.

The difficulty is now resolved by publication of "Net Yield Table after 25% Capital Gains Tax." For example, if you are offered a 20-year 2% bond at 75 to yield 3.80% you can now find in this Table that your tax-free yield is 3.54%.

The price is \$2. Ask for publication No. 44.

FINANCIAL PUBLISHING COMPANY

82 Brookline Avenue, Boston 15, Mass. KENMORE 6-1827

DEDICATED TO THE PRODUCTION OF USEFUL TABLES

"The lions at the art institute on Michigan Avenue look more friendly!"



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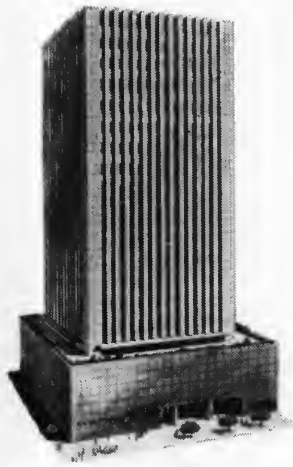
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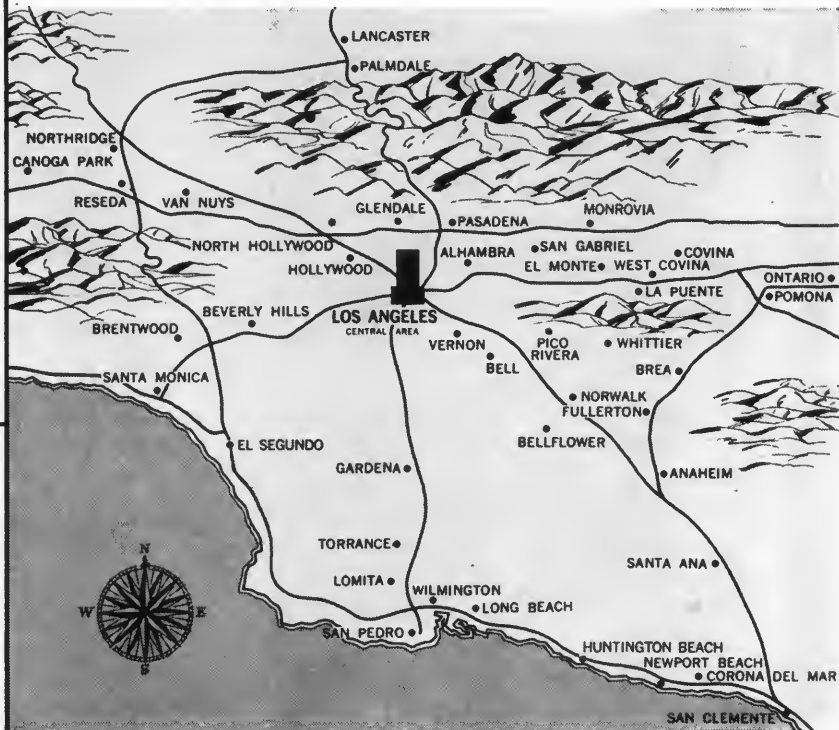


KING



Head Office Building,
in the heart of the
financial district,
600 South Spring Street,
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CALIFORNIA BANK NOW "AT HOME" IN NEW HEADQUARTERS



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*when death, sickness
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*Here is a comprehensive customer
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When your debtor has Federal Credit Life and Disability coverage, you are repaid promptly. Your collection costs and losses are reduced. Instead of risking dissatisfaction, you create priceless good will with this popular service.

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CASUALTY
COMPANY**

*A member of the
Tower Insurance Group*

**WOLVERINE-FEDERAL TOWER
BATTLE CREEK, MICHIGAN**



*Over half a century of
personal protection service*

**Ad Series Builds Boat Loans,
Helps Dealers**

A THREE-WEEK advertising campaign that increased boat loans by 49% over a year ago has been concluded by the Bank of Nevada, Las Vegas.

"Join the Nevada Navy with a Bank of Nevada Bankway Boat Loan" was the slogan of the drive, designed to help Southern Nevada dealers sell pleasure craft. The approach leaned to the light side, with public domain woodcuts and an old mariner theme. A brochure emphasized the Nevada Navy idea: its illustrations included drawings tied to other types of loans available.

A popular printed item was the "Admirable Admiral Commission," given to all dealers' customers who signed for a boat loan. The realistic parchment bore the recipient's name, granted him all the privileges of an admiral in the Nevada Navy, and charged him with responsibility for keeping the waters of Nevada safe for everybody's boating pleasure.

**Bank Sends Pony Express
Stamps to Correspondents**

A PROMOTIONAL idea tied to a news item is a sure attention-getter. Here's an example.

Correspondents and prospects of State-Planters Bank of Commerce and Trusts, Richmond, Va., received first-day Sacramento covers of the pony express 100th anniversary stamp. Inside the envelope was a note from the bank recalling that "in 1860 when the first pony express rider galloped from Saint Joseph, Missouri, it took eight days of hard riding to deliver a letter in Sacramento."

"State-Planters," continued the message, "relies heavily on modern mail delivery to render complete Correspondent Service to its many customers from Carolina to California. Rush jobs, routine jobs—it's all in a day's work for the Postal Department or State-Planters. Thanks to this fast, reliable service, the information you request by mail today will be on your desk tomorrow. Yes, we've come a long way since 1860.

"Whenever you see the distinctive stamp, remember the pony express and its important contribution to modern banking at State-Planters."

**This Bank's "in Politics"—
Non-Partisan, of Course**

FIDELITY-PHILADELPHIA Trust Company, which sponsored half of every hour's radio coverage of the Democratic and Republican conventions will also participate in sponsorship of local returns on election night.

During this year's national conventions, the trust company purchased TV spots and presented a main office display of old campaign buttons, delegate badges, campaign songs, and newspapers giving election returns. Some of the material came from the private collection of Frank C. P. McGlenn, Fidelity's vice-president in charge of advertising. A recent issue of *Fidelity Bulletin*, mailed to customers monthly, had an article, "Electing Our 35th President." It featured information on voting and registration.

FOR BUSINESS
FACTS ABOUT

Canada...



A farmer combining oats in Saskatchewan is joined by his local Royal Bank manager

When it comes to doing business with Canada, it pays to talk to the Royal Bank. Why? Because Canada is a big country; no two areas are exactly alike, each has its own character, its own business "atmosphere". Across the face of this wide country there are over 900 Royal Bank managers to serve you. Each man knows his own city, town, community . . . intimately. He himself "belongs" . . . because he works there. He can help your customers get in touch with the right people . . . *wherever* they wish to do business in Canada. For convenience, address inquiries to The Royal Bank of Canada, Head Office, Montreal.

THE ROYAL BANK OF CANADA

Canada's Largest Bank . . . assets exceed 4 billion dollars.

New York Agency—68 William Street, New York 5, N.Y.

Over 1000 branches in Canada, the Caribbean area, and South America • Offices in New York, London and Paris
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COLLECTIONS AND
REMITTANCES
LETTERS
OF CREDIT
NEW TRADE
CONNECTIONS
INTRODUCTIONS

For a free copy of
this booklet, write to
The Royal Bank of Canada,
Head Office, Montreal.

PHOTOSTAT PORTABLE MICROFILM CAMERA GOES WHERE YOUR RECORDS ARE



As easy to carry as a portable typewriter, the Photostat* camera goes where your records are—next desk, next room, next state. Its 21 lbs. include self-contained carrying case.

EXCLUSIVE MAGAZINE FEED gives you one-second loading. No threading film through rollers. Just drop the magazine into place, snap the lock—and you're ready to microfilm.

You can remove, reinsert, or interchange magazines in the light. You keep related records on one magazine without wasting time or film.

Magazines come in 10-, 25- and 50-ft. lengths.

EXCLUSIVE SELF-ADJUSTING THROAT opens automatically to $\frac{1}{8}$ " , taking multiple documents in booklet form or stapled or paper-clipped sheets.

The entire width of your image—up to 11.6"—is sharp and clear, because the camera uses the most central part of the lens eye.

*Registered trade name of Photostat Corporation

You can film continuous forms of any length. The open rear tray easily handles exiting documents.

LOW COST. These savings make the Photostat portable microfilm camera the most economical camera on the market.

1. You save on initial cost. The low price of the camera even includes carrying case.
2. You save on time and labor. The camera films 80 ft. per minute—the equivalent of 92 letters or 192 checks.
3. You save on film because you get a 24x reduction.

COMPACT. The Photostat camera when opened takes up only 22" x 12" x 13 $\frac{1}{4}$ " of space.

For a demonstration of how this camera can simplify record keeping for you, contact your nearest Photostat Corporation sales and service office, or send us the coupon.

We can also help you find the answers to a wide variety of other paperwork problems because—



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NAME

COMPANY

ADDRESS

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equipment and supplies

OFFSET DUPLICATING
equipment and supplies

PROCEDURAL MICROFILMING
equipment and supplies

OFFICE COPYING
equipment and supplies

WHAT'S NEW

This department is compiled by **ETHEL M. BAUER** of **BANKING'S** staff. Mention in this column does not constitute endorsement by the American Bankers Association.

NEW ANTREX Redcap transistor portable public address system is now permanently built into attaché case. Carries and ships as baggage. Operates on replaceable flash lantern batteries for 50 hours continuous use. Projects voice and music to audiences of up to 2,000 people. Sound reaches up to a quarter mile away. Introduced by **Antrex Corp.**, 2001 West Willow Street, Chicago.

ADJUSTABLE, modern book ends called **Shelvies** neatly solve the problem of holding books, records, folders, directories, magazines, etc., upright. Designed of slender anodized aluminum, spring-loaded for tension with nonmarking white rubber tips. Easily adjust to any shelf height from 9½" to 14". Bronze or aluminum finish. **The Hahn Co.**, 2311 Fox Hills Drive, Los Angeles 64, Calif.

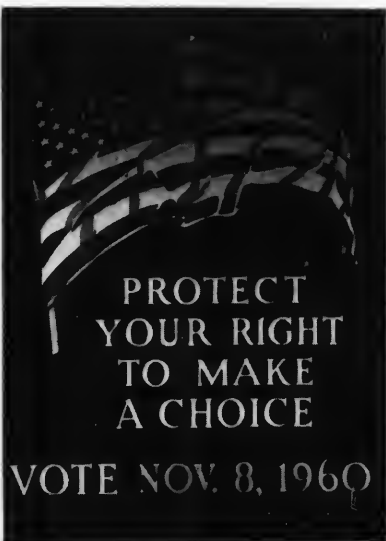
NO MORE shoveling snow with new and improved **Formula 33**. Just sprinkle when snow starts to stick to the ground. Leaves no whitening residue, eliminates a slippery condition, does not crack or stain walks or driveways and may also be used on roofs and gutters. Prevents snow and ice from forming. Write for packing sizes and prices to **Formula 33 Corp.**, 525 South 4th Avenue, Mount Vernon, N. Y.

NEW SYNDICATED monthly folder, **Bank Briefs**, now available to banks on an exclusive basis. It is an attractive, colorful, expertly edited, 4-page monthly folder designed to be used as a contact messenger to introduce new bank services to present customers; to establish and maintain institutional character; to explain changes in services, and policies; and to carry 101 other communication chores that cannot be

done on a person-to-person basis. Low in cost, measures 3½" x 6½" and is an ideal vehicle for mailing with bank statements. Complete information including prices and sample folder is available without obligation. Write: **The Passante Company**, 768 Connecticut Blvd., East Hartford, Conn.

A NEW office machine table, designed to provide plenty of space to handle the average office machine, as well as allow room for necessary books, cards or papers used in conjunction with the machines, has recently been introduced by **Lyon Metal Products, Inc.**, 8 Plant Avenue, Aurora, Ill. The table is 36" wide, 21" deep, and 26" high. It is finished in durable gray baked-on enamel. Panel type legs have adjustable feet for easy leveling.

AS A PUBLIC service to encourage everyone to vote during the coming presidential election, **Kelly-Read & Co., Inc.**, is donating thousands of its new **Vote** poster to industry, institutions, and civic organizations throughout the country. Copies of this 20" x 27" poster are available to all interested executives, on request. Write to **Dept. V.**, 508 St. Paul Street, Rochester 5, N. Y.



BOOKLETS

A NEW brochure covering checks printed in magnetic ink has just been published by the **C. E. Sheppard Co., Div. of Yawman & Erbe Mfg. Co., Inc.** 44-01 Twenty-first St., Long Island City 1, N. Y. This new **CESCO** publication, available on request, outlines the general design of its stock check formats, and contains printing specifications for checks used with electronic equipment for automated check sorting procedures.

Golden Rules for Better Driving is a free 16-page booklet offered as a public service by the **International Parts Corporation**, 4101 West 42nd Place, Chicago 32, Ill. This booklet contains the basic information necessary for safe driving, plus rules and hints for improving driving skill.

THE Manufacturers Trust Company is distributing a new edition of its **Foreign Exchange Quotations** folder. The folder lists exchange rates of currencies of 183 countries throughout the world. Copies are available at the bank's **International Banking Department**, 55 Broad Street, New York 15, N. Y.

READY for a new building? If you are, a new free booklet entitled **7 Money Saving Ideas from Stran-Steel** will provide you with many helpful suggestions. The booklet discusses items that should be considered before the plans are drawn. Available from **Stran-Steel Corporation**, a Div. of **National Steel**, Detroit 29, Mich.

COMPLETE design specifications of a new line of outdoor clocks and thermometers, featuring ultra-thin casings for easy mounting and increased dial areas providing maximum visibility, are published in **Bulletin A-24** issued by the manufacturer, **Electric Time Co., Inc.**, 16 Union Street, Natick, Mass.

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“The systematic buying
of United States
Savings Bonds helps to
provide for the things
you will need in life,”

says John M. Griffith,
President,
The City National Bank
of Taylor,
Taylor, Texas

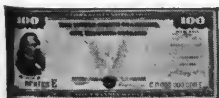


“Saving a part of what one earns should be an integral part in his program for living. There is no finer way to save than by establishing the habit of regularly purchasing U. S. Savings Bonds—the safest investment on earth. Too, the 3¾% yield on these bonds is certainly well in line with other investments of relative quality.

“Such a program also makes a material contribution to our Government in the handling of its financing problems. The sale by the Treasury of Savings Bonds is its most non-inflationary means of borrowing.

“These are the reasons why we are pleased to recommend United States Savings Bonds to our customers.”

THE U.S. GOVERNMENT DOES NOT PAY FOR THIS ADVERTISEMENT. THE TREASURY DEPARTMENT THANKS,
FOR THEIR PATRIOTISM, THE ADVERTISING COUNCIL AND THE DONOR BELOW.



BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION



The OUTLOOK and CONDITION OF BUSINESS

(CONTINUED FROM PAGE 36)

In the four years starting with 1956, GNP increased about \$60-billion, with only a slight hesitation in 1958. Almost a third of this rise represented Government purchases of goods and services. Most of the remainder is accounted for by personal consumption expenditures. To a great extent the same dollars are counted twice or several times so the total is useful chiefly to indicate how fast the merry-go-round is turning.

Growth is the new word to conjure with and the conjurers are having a carnival. Just how fast we are growing and what monetary policies will safely achieve more growth are discussed succinctly on page 54.

There is little in the immediate prospect to occasion boominess or gloominess. There has been a marked decline in references to the Soaring, Zooming, Golden, or What-not Sixties, but this is only a natural reaction to the overselling of an age of super-abundance which went on for years.

We still have a large inventory of bright expectations, but these will materialize only if we handle the dollar intelligently and don't turn the management over to those who believe in miracles through the simple hocus-pocus of easy money.

The Way Toward Sustainable Growth

Probably the best augury for the future is the continued large expenditure for research and scientific development, plus the gradual upward trend of business investment for capital purposes. A change in the tax laws making it advantageous for business to spend more in these ways would be the most progressive step in our economic history. For the first time such a possibility seems actually in sight.

Consumer Spending

So far this year consumers have been showing great confidence in the future, although some recent reports have appeared indicating retail buyers will be inclined to look twice at the price tags in the months to come.

In the second quarter consumers spent more for goods and services than ever before, reaching an annual rate of \$328.5-billion. Last year the rate was \$319.6-billion.

An analysis of buying trends shows that consumers are favoring nondurable goods of all kinds, such as apparel, food, drugs, and so on. For some reason hard goods like automobiles and furniture have not been doing so well.

The boost in consumer spending has been most evident in the service lines—medical and dental costs, beauty treatments, travel, legal fees, and a long list of other services.

Savings have been rising, too, and the trend will probably continue. In the second quarter this year consumers saved 7.3% of their disposable income compared with 6.6% in the third quarter last year. They saved \$2.1-billion more at an annual rate in the second quarter this year than in the first and they saved \$3-

billion more than in the final quarter of 1959, all figures at a yearly rate.

Compact Impact

Auto dealers are having a spell of inventory blues. Compact cars have really hurt the used car market and both sales and prices are down. This works against both buyers and sellers as anyone will discover if he drives up a slightly used car and says he would like to trade it for a new one.

The auto market should be watched closely. There is a large inventory of about 1,000,000 cars. Most model changes will come earlier this year than in preceding periods.

There is a distinct danger that the auto industry may have difficulty in liquidating its inventory and there may be pressure on banks to extend terms in an effort to move unsold cars.

Corporate profits are down from last year but cash dividend payments were higher the first six months than the same period last year. The general pattern has been for stock prices to decline and bonds to rise bringing the respective yields closer together.

Farm products prices advanced between mid-June and mid-July, led by dairy products, followed by vegetables, hogs and potatoes. Farm prices in mid-July were about 1% below parity at about 80% compared with 79% in mid-June.

Easier credit so far has not brought about an expansion of the *housing market*. Housing starts have been fewer than expected chiefly because of higher building costs. The importance of cost reduction has been recognized by the industry. Easy money alone will not do the trick.

The same may be said of the recent reduction in margin requirements on *listed securities*. The financial community was pleased by the cuts but few experts look for any great and long-lasting impact on securities' prices.

The trend of *consumer loans* has been rising. There is no sign of abatement. Instalment loans turned up sharply in all categories in the first half of the year with the exception of home appliances. Most banks report a larger volume of loans against automobiles without an expansion in terms.

Foreign Trade Looks Better

There has been an improvement in foreign trade. June exports were up 20% over a year ago. Since the lifting of curbs on dollar imports last November in Great Britain, imports of American goods and exports from the United States have shown a considerable increase. The items in question are primarily American-made consumer goods.

European economists were told in a recent closed session of the Economic Committee of the Organization for European Economic Cooperation that expansion of American business activity will probably resume in the last quarter of the year. The U. S. position was presented by Raymond J. Saulnier, chairman of the President's Council of Economic Advisers.

One striking aspect of the meeting, according to several observers, was how little attention was devoted to the U. S. business outlook which has played such an important part on the world scene for so many years.

WILLIAM R. KUHN

SUCCESS!

General Foods Kitchens Cookbook is scoring heavily from Coast to Coast as 1960's Premium for Financial Institutions



“An amazingly successful promotion! The General Foods cookbook is everything that Thrift Builders said it would be . . . We ran the promotion in all sixteen offices for a thirty-day period starting April 1. The offer applied to new checking accounts, new savings accounts, additions to existing savings accounts, as well as the rental of a safe deposit box for one year. Final result . . . over 7,000 transactions at an over-all average of \$415 apiece. The comments of our staff and those of the general public have been exceptionally good . . . We recommend the General Foods cookbook highly.”

*Mr. Arthur Benington
The National Bank and Trust Company of Fairfield County
Stamford, Connecticut*



*You can Use
This Unique Premium
Successfully*

- Open New Savings Accounts
- Reactivate Dormant Accounts
- Rent Safety Deposit Boxes
- Open Checking Accounts
- Launch Branch Offices

THE GENERAL FOODS KITCHENS COOKBOOK IS BEING NATIONALLY ADVERTISED IN ALL LEADING WOMEN'S MAGAZINES AT THE SAME TIME YOU OFFER IT AS A PREMIUM. WHAT OTHER PREMIUM CAN OFFER YOU THIS POWERFUL ADVANTAGE?



Among the many fine products from General Foods Kitchens are:
Jell-O Desserts,
Maxwell House Coffee,
Post Cereals,
Birds Eye Frozen Foods

**SEND THIS COUPON NOW...
FOR YOUR EXCLUSIVE OPTION!**

Thrift Builders, Inc.
Chrysler Building
New York 17, N. Y.

Gentlemen,

Please send full information about the "General Foods Kitchens Cookbook" and an Exclusive Option.

Name

Institution

Address

City

Phone

State





Wood parts made with precision form a background for the quantity production of the Template Group by the Leopold Company

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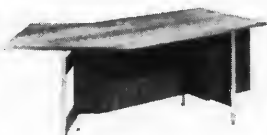
The Template Group by Leopold: High styled furniture for every office

Conceived in the architectural thinking of today, The Template Group blends sharp contrasts of form with a delightful interplay of proportions. The fully skirted, or closed desks appear chunky—almost boxy. This massiveness, however, is offset by the light lines of the metal legs, which hold it off the floor. Further lightness is accomplished by “lifting” the top from the blockish mass of drawer cases with a narrow band of color. Every component is completely functional by itself, or in combination with others. Surface, drawer and cabinet arrangements may be planned to suit individual requirements. You may see the many modular components of The Template Group at your Leopold dealer’s showroom. He will be pleased to help you in your complete office design.

THE LEOPOLD COMPANY, BURLINGTON, IOWA



Executive L desk with 44" return, pedestals right or left side.



Conference desk with free form or rectangular overhanging top.



Bi-level L desk, 30" return, with or without paper rail.



Bi-level L desk, 44" return, with or without paper rail.

Designer: Charles Deaton

September 1960

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WELCOME

ABA

BANKERS TRUST · NEW YORK

Member F.D.I.C.





Skyline of midtown Manhattan from the East River

DEVANEY

The A.B.A. Meets in New York

Skyline of the financial district in lower Manhattan

PHOTOGRAPH COURTESY
NEW YORK DAILY NEWS





Are Your Funds too long in Transit?

One million checks—or more—spin through the 136 IBM proof machines in our Central Clearance Department each day. This department, staffed by more than 400 skilled employees, works *24 hours a day, including Saturdays and most holidays*. Our correspondent banks thereby obtain the benefit of earliest possible presentation of their items.

In addition, Manufacturers Trust Company has developed a number of other “availability aids;” including:

- Individually imprinted 3-part carbon-less cash letter forms.
- Self-addressed cash letter envelopes in several sizes to meet the volume needs of the individual bank.
- Air mail pouch stickers, with frequent airport pickups.
- Hourly pickup of cash letters from a 24-hour post office.
- Direct sendings to non-Federal points.

Let us write you in more detail about the advantages of using Manufacturers Trust Company for cash letter and collection sendings. Just tear out this advertisement and mail it to National Department, Manufacturers Trust Company, 44 Wall Street, New York 15, N. Y.

MANUFACTURERS TRUST COMPANY

HEAD OFFICE:

44 WALL STREET, NEW YORK 15, N. Y.

Member Federal Deposit Insurance Corporation

The 86th CONVENTION

A Preview of the A.B.A.'s Meeting in New York, September 18-21

THE 86th annual convention of the American Bankers Association takes place in New York City September 18-21. This section is a preview of it. The convention program appears in detail. Pictures of the general officers, division presidents, and chairmen of the many councils, commissions, and committees

personalize the varied activities of the A.B.A. during the administration of President John W. Remington and Vice-president Carl A. Bimson. "As You Were" is a story about previous A.B.A. conventions in New York.

Meetings will be held in the Waldorf-Astoria, Belmont Plaza, Commodore, and Roosevelt hotels.

Looking down Park Avenue from just north of the Waldorf-Astoria Hotel which is on the left-hand side of the street. For a refresher on transportation at the time of A.B.A.'s first New York convention, 1877, see print on page 187



CHARLES PHELPS CUSHING

ASSOCIATION LEADERS



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Rochester, New York



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President, The American National Bank
Beaumont, Texas



*Executive Vice President
and Executive Manager*
MERLE E. SELECMAN
American Bankers Association
New York, New York



Senior Vice President
BEN C. CORLETT
American Bankers Association
Washington, D. C.





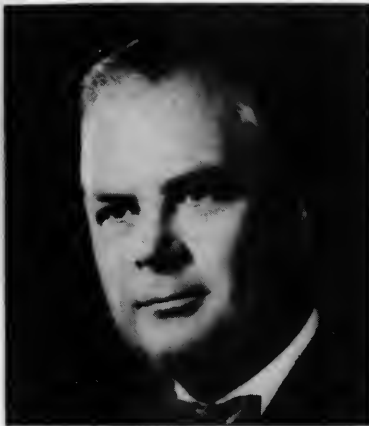
JOHN S. COLEMAN
 President, National Bank Division
 Chairman of Board, Birmingham Trust
 National Bank, Birmingham, Alabama



LOUIS S. FINGER
 President, Savings and Mortgage Division
 President, Andover Savings Bank
 Andover, Massachusetts



HARRY EATON
 President, State Bank Division
 President, Twin Falls Bank and Trust
 Company, Twin Falls, Idaho



CHARLES W. HAMILTON
 President, Trust Division; Senior Vice-
 president and Trust Officer, The National
 Bank of Commerce, Houston, Texas



MILTON F. DARR, JR.
 President, American Institute of Banking
 Vice-president, La Salle National Bank
 Chicago, Illinois



CARL E. BAHMEIER, JR.
 President, State Association Section
 Executive Manager, California Bankers
 Association, San Francisco, California

ARCHIE K. DAVIS
 Chairman, Committee on
 Credit Unions; Chairman of
 Board, Wachovia Bank and
 Trust Company, Winston-
 Salem, North Carolina

CASIMIR A. SIENKIEWICZ
 Chairman, Committee for
 Economic Growth Without
 Inflation; President, Central-
 Penn National Bank,
 Philadelphia, Pennsylvania

WILLIAM L. BUTCHER
 Chairman, Committee on
 Executive Development
 Chairman of Board, The
 County Trust Company
 White Plains, New York

D. EMMERT BRUMBAUGH
 Chairman, Committee on
 Federal Deposit Insurance
 President, First National
 Bank, Claysburg, Pennsylvania





JOHN H. CROCKER
 Chairman, Agricultural Commission
 Chairman and President, Citizens National
 Bank, Decatur, Illinois



G. EDWARD COOPER
 Chairman, Bank Management Commission
 Senior Vice-president, Philadelphia
 National Bank, Philadelphia, Pennsylvania



THOMAS G. WILSON
 Chairman, Country Bank Operations
 Commission; Chairman, Committee on
 Employee Training; President, First State
 Bank, Conway, Arkansas



WILLIAM F. KELLY
 Chairman, Credit Policy Commission
 President, First Pennsylvania Banking &
 Trust Company, Philadelphia, Pennsylvania



JESSE W. TAPP
 Chairman, Economic Policy Commission
 Chairman of Board, Bank of America N.T.
 & S.A., Los Angeles, California



EDWARD J. FREY
 Chairman, Instalment Credit Commission
 President, Union Bank and Trust
 Company, Grand Rapids, Michigan

RICHARD A. NORRIS
 Chairman, Committee on
 Federal Fiscal Procedures
 President, The Riggs National
 Bank, Washington, D. C.

M. MONROE KIMBREL
 Chairman, Committee on
 Federal Legislation
 Executive Vice-president,
 First National Bank
 Thomson, Georgia

ROBERT V. FLEMING
 Chairman, Government
 Borrowing Committee
 Chairman of Board, The
 Riggs National Bank
 Washington, D. C.

THOMAS F. GLAVEY
 Chairman, Insurance and
 Protective Committee; Vice-
 president, The Chase
 Manhattan Bank
 New York, New York





BEN H. WOOTEN
Chairman, Commission for the Observance of the 100th Anniversary of the National Banking System; Chairman of Board, First National Bank, Dallas, Texas



CARL M. FLORA
Chairman, Small Business Credit Commission; Vice-president, First Wisconsin National Bank Milwaukee, Wisconsin



EVERETT D. REESE
Chairman, Council on Banking Education Chairman, Board of Regents, The Stonier Graduate School of Banking; Chairman of the Board, City National Bank and Trust Company, Columbus, Ohio



MELVILLE M. PARKER
Chairman, Public Relations Council Executive Vice-president, First National Bank, Lebanon, Pennsylvania



ROY L. REIERSON
Chairman, Research Council Vice-president, Bankers Trust Company New York, New York



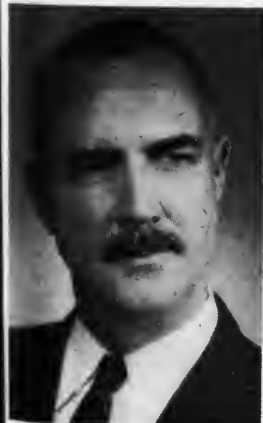
WILLIAM A. MITCHELL
Chairman, Advisory Committee on Special Activities; Chairman of Board, The Central Trust Company, Cincinnati, Ohio

JOHN B. KEELINE
Chairman, Organization Committee; President, Central Trust and Savings Bank, Cherokee, Iowa

RENO ODLIN
Chairman, Savings Bonds Committee; President, Puget Sound National Bank Tacoma, Washington

ELWOOD F. KIRKMAN
Chairman, Committee on State Legislation; President, The Boardwalk National Bank Atlantic City, New Jersey

RICHARD G. STOCKTON
Chairman, Board of Trustees, Foundation for Education in Economics; Chairman, Executive Committee, Wachovia Bank and Trust Co., Winston-Salem, N. C.



The Convention Program

THE 86th annual convention of the American Bankers Association will be held in the home state—if not the home city—of the 1959-60 president of the Association, John W. Remington, president of the Lincoln Rochester Trust Company, Rochester, N. Y. The 4-day meeting will be held in New York City on September 18-21, with the two general sessions of the convention being held in The Waldorf-Astoria Grand Ballroom on Tuesday, September 20, and Wednesday, September 21.

The Administrative Committee and the Executive Council of the Association, as well as several other commissions, councils, and committees of the A.B.A., will meet in advance of the two general sessions. Also, meetings of the National Bank, State Bank, Savings and Mortgage, and Trust divisions will be held on Monday, September 19.

Among the highlights of the convention will be a discussion of and a vote upon proposed amendments to the Constitution of the American Bankers Association. These amendments will be considered at the first general session of the convention on Tuesday, September 20. The amendments were carefully and painstakingly worked out by a Constitutional Revision Committee headed by Frank L. King, chairman, California Bank, Los Angeles.

Since 1920, when the last major revision of the Association's Constitution was made, only minor and urgent changes have been voted. The

During his A.B.A. presidency, John W. Remington has made more than 20 prepared addresses before state bankers association conventions, Association conferences, Association seminars, and other banking and economic groups



present constitution and the proposed amendments were presented in the August issue of *BANKING*, starting on page 61.

Election and Installation of 1960-61 Officers

New A.B.A. officers will be elected and installed during the convention. It is anticipated that Mr. Remington will be succeeded as president by Carl A. Bimson, the 1959-60 vice-president, who is president of the

Valley National Bank of Phoenix, Ariz.

Two candidates have been announced for the vice-presidency to succeed Mr. Bimson; namely, Sam M. Fleming, president of the Third National Bank in Nashville, Tenn., and D. Emmert Brumbaugh, president of the First National Bank of Claysburg, Pa. Both Mr. Fleming and Mr. Brumbaugh have been active in A.B.A. affairs for a number of years.

Mr. Fleming is a past president of

John J. McCloy



Gabriel Hauge



W. Randolph Burgess



Robert Cutler





Felipe Herrera



Archie K. Davis



Robert W. Sparks



Roger L. Currant

the National Bank Division and a former member of the Executive Council. Presently, he is a member of the Commission for the Observance of the 100th Anniversary of the National Banking System. He has also been active in the Association of Reserve City Bankers. Mr. Fleming has been endorsed for the vice-presidency by the Tennessee, South Carolina, New York, and Alabama bankers associations.

Mr. Brumbaugh is chairman of the A.B.A. Committee on Federal Deposit Insurance and is a member of the Committee on Federal Legislation. He is a former Congressman, a former Secretary of Banking of Pennsylvania, and has the endorsement of some of his state's bankers.

I. F. Betts, president of The American National Bank of Beaumont, Tex., was named treasurer of the A.B.A. in 1959 by the Executive Council. Since it is traditional for

During his vice-presidency, Carl A. Bimson has by no means been standing still. See map page 66, May BANKING for his itinerary



the treasurer to be re-elected for a second 1-year term, it is anticipated that he will continue in this post for the 1960-61 term of office.

Banking, business, and Government leaders will speak before the meetings of the various divisions and sections and at the general sessions of the 86th annual convention of the A.B.A. An outline of the program for the business sessions and the entertainment planned for the delegates and their wives follows:

Agricultural Breakfast

Monday, September 19, 8 A.M.
Commodore Hotel, Century Room

Presiding, John H. Crocker, chair-

man, Agricultural Commission, American Bankers Association; chairman of the board and president, Citizens National Bank, Decatur, Ill.

"A Banker's Responsibility to the Changing Needs of Agriculture," by Archie K. Davis, chairman of the board, Wachovia Bank and Trust Company, Winston-Salem, N. C.

Savings and Mortgage Division

Hotel Roosevelt, Grand Ballroom—10 A.M.

"Competition and the Changed Concept of Savings"—Address by President Louis S. Finger, president,

Entertainment Schedule

Sunday, September 18

- 4:30-
- 6:00 P.M. Reception, The Waldorf-Astoria, Grand Ballroom
- 9:00 P.M. 900 Seats Available for Radio City Music Hall

Monday, September 19

- 12:30 P.M. Ladies' Luncheon and Fashion Show, The Astor, Ballroom
- 12:30 P.M. Boat Tour of New York Harbor
- 9:00 P.M. 900 Seats Available for Radio City Music Hall
- Evening 1,500 Seats Available for Ice Show, Madison Square Garden

Tuesday, September 20

- 12:00 P.M. Ladies' Luncheon and Fashion Show, The Astor, Ballroom
- 12:30 P.M. Boat Tour of New York Harbor
- 8:00 P.M. and again at
- 10:00 P.M. Musical Revue, The Waldorf-Astoria, Grand Ballroom

During the Convention

Hospitality Center, The Waldorf-Astoria, Sert Room



Ray M. Gidney



Kenneth C. Royall



William S. Gray



Robert N. Hilkert

Andover Savings Bank, Andover, Mass.

Symposium on "Banks Can Win in Savings Competition":

"The Savings Market," by Robert W. Sparks, banking consultant, New York, N. Y.

"How to Compete with Credit Unions," by Roger L. Currant, president, Fall River National Bank, Fall River, Mass.

"How to Compete with S & L's," by S. Edgar Lauther, president, Irwin Union Bank & Trust Company, Columbus, Ind.

"Modern Approach to Savings Competition," by Dr. Jerome B. Cohen, assistant dean in charge of graduate studies, Bernard M. Baruch School of Business and Public Administration, The City College, New York, N. Y.

State Bank Division

Monday, September 19, 10 A.M.
The Waldorf-Astoria, Grand Ballroom

Address by President Harry Eaton, president, Twin Falls Bank and Trust Company, Twin Falls, Idaho.

"There Is a Way Home," by the

Honorable Robert E. Smylie, Governor, State of Idaho, Boise.

Remarks by Dick Simpson, first vice-president, National Association of Supervisors of State Banks, Bank Commissioner of Arkansas, Little Rock.

National Bank Division

The Waldorf-Astoria, Grand Ballroom
2 P.M.

Address by President John S. Coleman, chairman of the board, Birmingham Trust National Bank, Birmingham, Ala.

Remarks by the Honorable Ray M. Gidney, Comptroller of the Currency, Washington, D. C.

"How It Looks to an Ex," by General Kenneth C. Royall, member of the Law Firm of Royall, Koegel, Harris & Caskey, New York, N. Y.

Trust Division

Monday, September 19, 2 P.M.
Belmont Plaza Hotel, Moderne Room

Greetings by Robert M. Lovell, chairman, Trust Division, New York State Bankers Association, senior vice-president, The Hanover Bank.

Address by President Charles W. Hamilton, senior vice-president and trust officer, The National Bank of Commerce, Houston, Tex.

Address by Robert N. Hilkert, first vice-president, Federal Reserve Bank, Philadelphia, Pa.

First General Session

Tuesday, September 20, 9:15 A.M.
The Waldorf-Astoria Grand Ballroom

Presiding, President John W. Remington.

Greetings by William S. Gray, president, New York Clearing House; chairman of the board, The Hanover Bank, New York, N. Y.

Address by President Remington. "Commercial Bank Preparedness for Emergency Operations," John J. McCloy, chairman of the board, The Chase Manhattan Bank, New York, N. Y.

Election of officers. "Does Money Really Matter," by Dr. Gabriel Hauge, chairman of the Finance Committee, Manufacturers Trust Company, New York, N. Y.

Consideration of proposed constitutional changes and voting on their adoption.

S. Edgar Lauther



Jerome B. Cohen



Robert E. Smylie



Dick Simpson



Second General Session
Wednesday, September 21, 9:15 A.M.
The Waldorf-Astoria, Grand Ballroom
 Presiding, President Remington.
 "The Inter-American Development Bank," by Robert Cutler, United

States Executive Director, The Inter-American Development Bank, Washington, D. C., and Dr. Felipe Herrera, president, The Inter-American Development Bank, Washington, D. C.
 Report of the Resolutions Com-

mittee, followed by the inauguration of officers.
 "New Economic Horizons," by the Honorable W. Randolph Burgess, United States Ambassador, North Atlantic Treaty Organization, Paris, France.

MAP OF MIDTOWN MANHATTAN SHOWING PRINCIPAL CONVENTION HOTELS



As We Were

A Reminder of Previous New York Conventions

THE convention of 1960 is the fifth full-scale national meeting the Association has held in New York. In 1877, 1904, 1922, and 1950 the American Bankers Association assembled in the metropolis, and the city was also the scene of abbrevi-

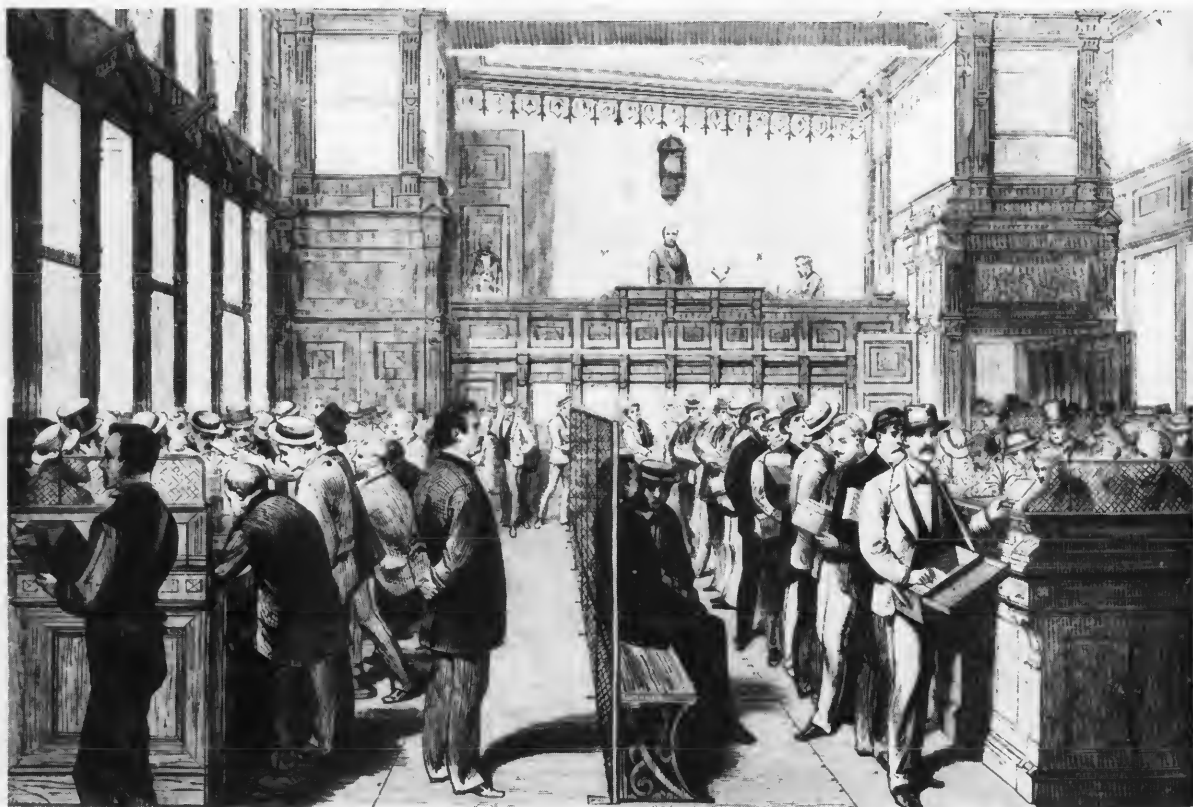
ated business meetings in 1942, 1943, and 1945.

In the next few pages are glimpses of the past; they provide a sharply etched view of the most exciting era in our history.

First, let's go back to 1877 for a

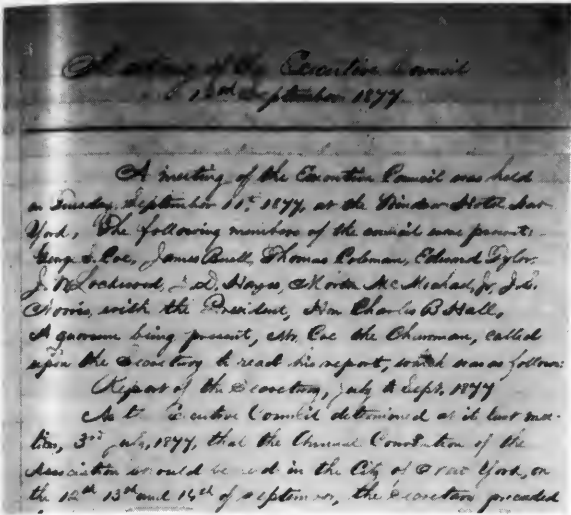
look at the New York Clearing House—host to the 1960 convention, too—as bankers saw it in that long-ago year. (Incidentally, it may be that if people talked less about Growth in those days, it was because they were so busy growing!)

From Frank Leslie's Illustrated Newspaper: "The New York Clearing House—10 A.M.—Bank Clerks and Messengers Effecting Clearances and Exchanges." Time: 1875, two years before the Association's first New York convention



1877

“Such a pressure of topics and speakers . . .”



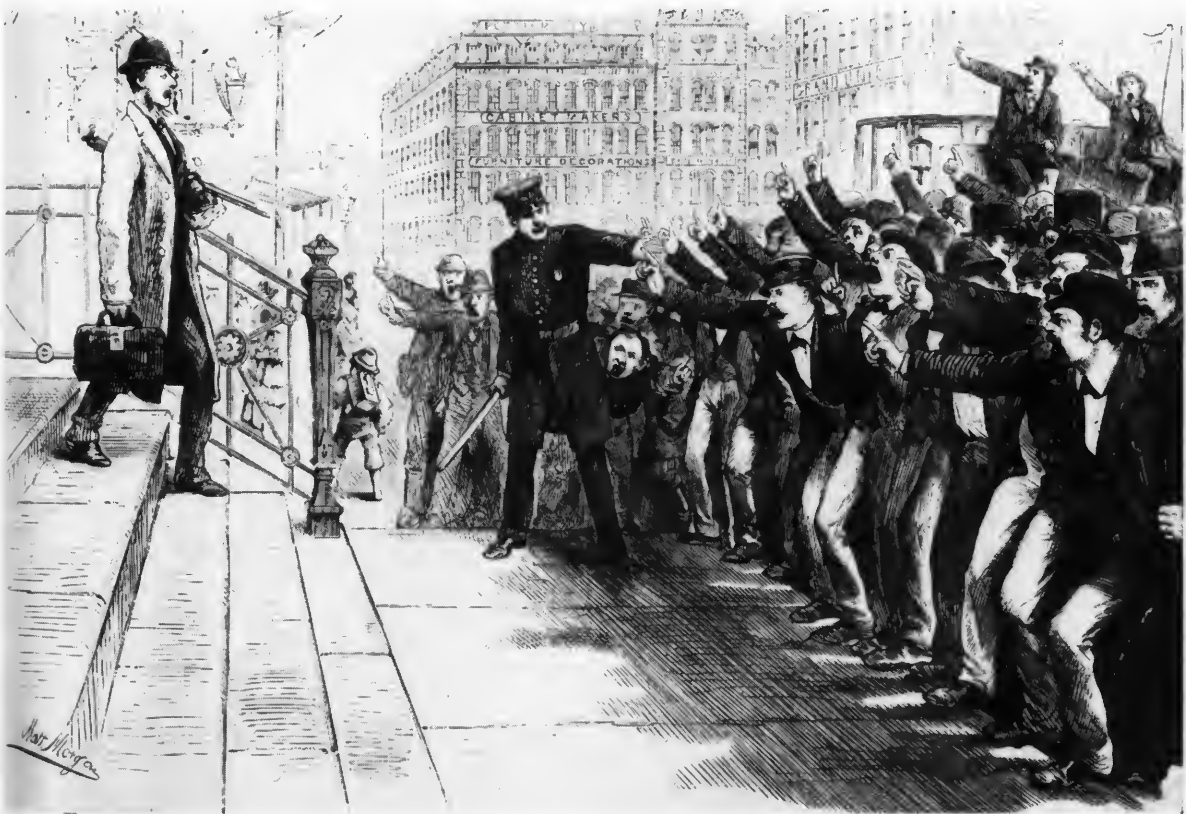
From the Council minutes. Lower section forecasts “an abundance of interest” in the speakers; also says “the pressure of topics and speakers” necessitates two sessions a day

HERE are the purple ink minutes of the September 1877 Executive Council meeting which heard plans for the imminent third convention of the Association. The scribe, Secretary James Buell, notes that the hall of the Young Men’s Christian Association at 23rd Street and Fourth Avenue had been rented for \$50 a day. “Such a pressure of topics and speakers presented themselves” that the Council decided on two sessions daily, one at 11 A.M., the other at 8 P.M.

Subjects pressing so hard included resumption of specie payments, bank taxation, silver, the substantial issues of municipal bonds and their threat to public credit, the need for uniform collection laws, and recovery from the Panic of 1873.

The Association’s first president, Charles B. Hall, Boston National Bank, assured the delegates that the worst of the “period of sadness and depression” was over

This print in Frank Leslie’s Illustrated Newspaper was captioned: “New York City—Scene at the Grand Central Depot in Forty-second Street—‘Cab, Sir?’ ‘Carriage?’ ‘Ride, Sir?’” Contrast this 1875 scene with the taxis on Park Avenue, near the Waldorf-Astoria, in the 1960 picture on page 177



CULVER SERVICE



CULVER PICTURES

The YMCA building at Fourth Avenue and 23rd Street where the Association's first New York convention was held in September 1877

and that "all in all the general business of the whole country begins to move and improve."

Treasurer George F. Baker, president of the First National Bank of New York, reported dues receipts of \$17,946.21 and disbursements of \$12,721.69 in the past year. Of the expenses, \$875 was for rental of the Association's office at 247 Broadway, New York.



CULVER PICTURES

And Wall Street looked like this. (Yes, that's Trinity Church)

Broadway, near City Hall, about 1877



CULVER PICTURES

■ Are you offering more courses?

Christmas Club is the kindergarten of banking—and has been for fifty years. In that half century, millions of members have graduated to a better understanding of banking and have learned to use the other services their financial institutions provide.

Now is the time to consider the opening of your new club and the advancement of your present club members. An effective club promotion will persuade almost all of your present members to continue their saving habits in Christmas Club. Your Christmas Club staff member can help you plan one.

Now is the time, too, to introduce your present members to advanced classes in banking—to offer them permanent savings, personal financing, safe deposit boxes and other services that will help them reach their financial goals.

Christmas Club, properly promoted, will continually bring to your door people who need basic training in simple economics. Those who are now members are interested in higher classes in their financial education.

To put it simply, your Christmas Club members, present and future, are the finest group you can use to develop the other services you offer.

Christmas Club a Corporation

Founded by Herbert F. Rawll

230 Park Ave., New York 17, N. Y.

Builds Character • Builds Savings • Builds Business for Financial Institutions



1910 • CHRISTMAS CLUB'S GOLDEN YEAR • 1960

*“History, experience, and logic have
killed bimetallism . . .”*

THE 30th convention was engrossed with currency reform, and the delegates heard several speeches about it. One noted that the A.B.A.'s life had covered “a period of grotesque and whimsical financial legislation.” However, free silver, the bone of contention, was “all forgiven and forgotten now. History, experience and logic have killed bimetallism and it will never vex the world again.”

Convention orators included two well-known New Yorkers, James Stillman and A. B. Hepburn, presidents, respectively, of the National City Bank and the Chase National Bank.

Entertainment features included a trip to Coney Island and Luna Park, two evenings at the theater, a Hudson River boat ride to West Point, and numerous affairs at the banks.

LIKE everyone else that year, bankers were interested in the Louisiana Purchase Exposition—the “Meet-Me-at-St.-Looie—Looie” one. *Cosmopolitan Magazine* devoted its September issue to the Fair and the century of progress it symbolized. Included was a report on that new servant of man, “the wireless telegraph,” and an incident that has particular interest today.

The Bankers' Magazine used this photo in its story of the 1904 convention. Caption read: “A group of financiers on their way to West Point.” The delegates journeyed to the Point by Hudson River boat



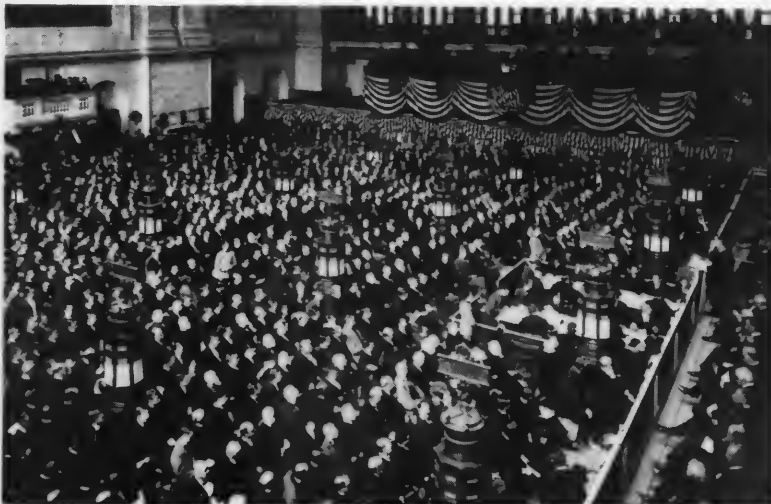
It seems the *London Times* had a wireless mast on Shantung promontory which relayed news from the dispatch boat Haimun. Just after the Russians had declared that they would treat as spies all correspondents found communicating by radio the Haimun was caught by a Russian warship. The *Times* man immediately notified his base: “Being boarded by the Russians. If do not hear from us in three hours, notify British warships and *London Times*.” As the

Russians came aboard this answer arrived: “Have notified British fleet. From window of operating room can see activity on board battleships; getting up steam.”

The operator added, “This is no dream.”

“The Russian officers,” concluded the story, “found the copies of the last message sent and noted the reply, then hurriedly left the ship without hanging any correspondent to the yardarm.”

This photograph records the opening of the New York Stock Exchange building in 1903

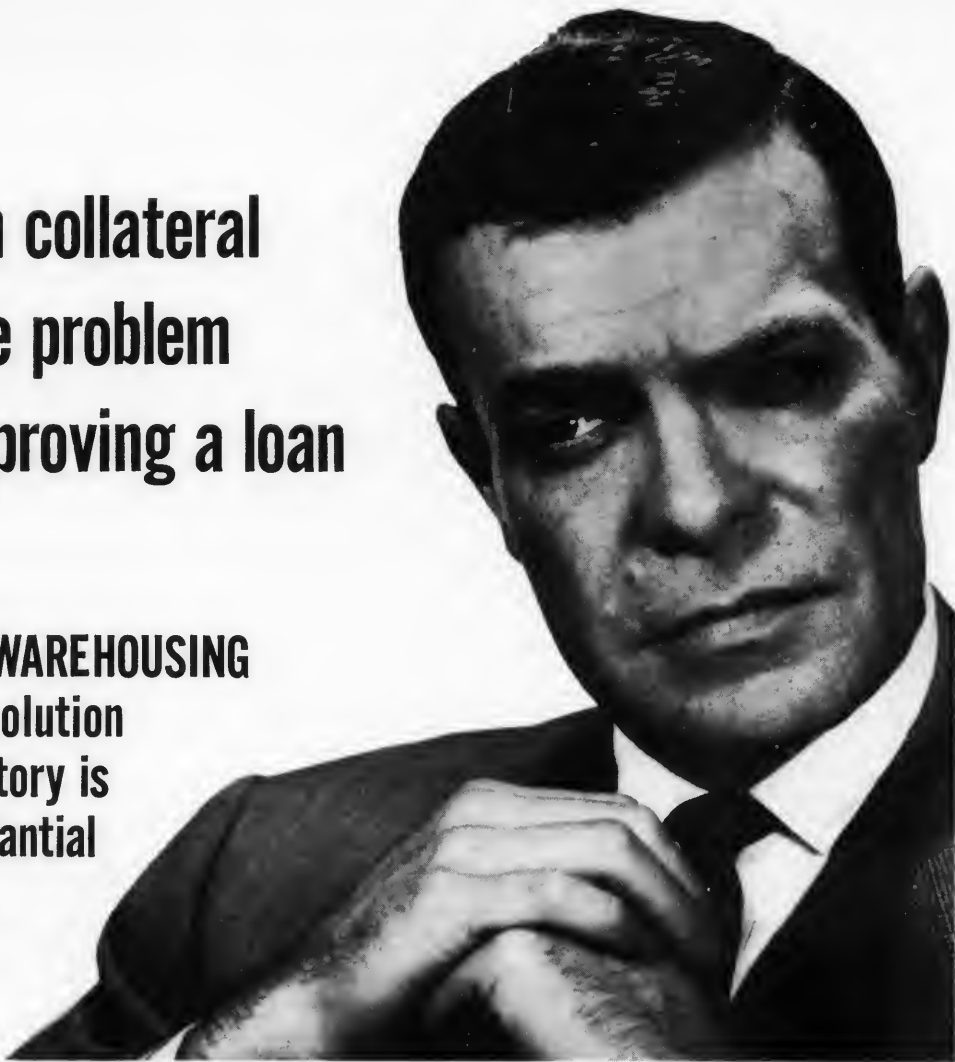


CULVER PICTURES

Lower Broadway looked like this about the time of the 1904 convention. The view is looking up the famous street, from the vicinity of St. Paul's Church

When collateral is the problem in approving a loan

FIELD WAREHOUSING
is the solution
if inventory is
a substantial
asset...



Not just the answer to retaining the line and customer's good will, but a sound profit-wise operation that meets your most exacting requirements. Accurate knowledge of the inventory, its quality, age, dollar value and rate of movement, so necessary for this type of loan, is provided at a glance by our exclusive new monthly Stock and Value Report. This concise single-sheet record gives a complete check of all trans-

actions, greatly simplifying the work of the collateral department and reviewing officer.

If collateral is the problem, let us show you an inventory loan service with an unmatched record of unimpaired bailment, that will permit you to extend maximum credit with minimum cost by relieving your bank of expensive time-consuming detail.

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NEW YORK TERMINAL WAREHOUSE COMPANY

25 South William Street
New York 4, New York

OPERATING OFFICES IN PRINCIPAL CITIES

1922

Reparations, war debts, and "the terrible experience of Russia"

THIS convention, at the new Hotel Commodore, was preoccupied with international problems inherited from World War I: German reparations, war debts, disarmament, and permanent peace. A convention resolution said the time had come for the United States "to formulate the principles on which it will be able to cooperate with other nations to bring about the needed rehabilitation of European countries and peace in the world."

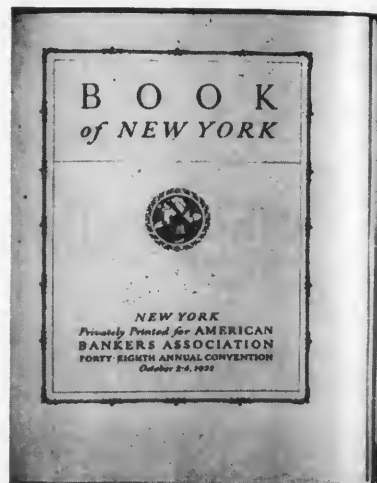
The incoming president, John H. Puelicher of Milwaukee, said the banker could be of great service "in protecting the integrity of our banking and currency system. We have," he added, "the terrible example of Russia before us. Russia deserted the gold standard."

A resolution disapproved of "the attacks" on the Federal Reserve System and members of the Board of Governors.

It was a big convention, but apparently the New York Clearing

House Committee of One Hundred had overlooked nothing. "Every delegate," said the JOURNAL (the BANKING of that day) "was welcomed officially on the telephone within 15 minutes after he registered at his hotel. To do this a staff of 400 men and 180 telephones installed in the various hotels and at the hospitality headquarters at the American Institute of Banking were necessary. All the men were volunteers from the banks and the bond houses."

This expression of the spirit of New York was originally written by Bruce Barton under the inspiration of a War Loan campaign, and was widely used as an advertisement of the Victory Loan. The Book of New York reprinted it



THE CREED OF NEW YORK

I AM NEW YORK AND THIS IS MY CREED
 I am New York; all men know my fame and outward aspect, but few there are who know my heart.
 Not out of my own loins have my people come. They make their way to me from the East, across the ocean, to here the Statue in my harbor lights their spirits with fresh hope.
 From the West, and South, and North, from every farm and village, where clean-hearted, clear-eyed boys and girls have turned their faces toward me as the home of opportunity.
 They are the builders who have made me great; and on what foundation stones, think you, have they built?
 On Money! On Commerce! On Trade!
 They have wrought with materials more eternal.
 They have laid my foundations on faith, and fashioned my greatness with sterner and the flighted Word.
 In my markets millions in gold pass back and forth upon the firm security of men's trust in one another.
 When I give my word I do not falter. From every corner of the nation men have gone forth, relying on the promise of that word, to stretch great railroads across the continent, to open mines and rear new cities on the unbroken plains.
 I am New York, the dwelling place of honor.
 "A city that hath foundations," a hoar cornerstone is Faith.



Nassau Street, looking South to Wall Street
 New Federal Reserve Bank Building at left, now in process of construction.

Two illustrations from the souvenir brochure which noted that the Wall Street drawing had been made for the book



Wall Street in 1922
 Trinity Church stands in the background at the center.

ThriftiCheck Magnetic Imprinting Praised By Denver Banker

Indicative of the success which scores of banks are having with ThriftiCheck's on-premises magnetic ink imprinting and encoding of checks is the experience of the First National Bank, Denver, Colorado. Robert P. Zahller, Assistant Vice President, reports:



ROBERT P. ZALLER,
Assistant Vice President



FIRST NATIONAL BANK,
Denver, Colorado

"Our Magnetic Ink Character Recognition program actually began late in 1959 when the account number slugs and transit slugs were ordered for existing accounts from ThriftiCheck Service Corporation for their Model 46M magnetic on-premises imprinter. The accuracy with which the slugs were produced can be attested to by the fact that to date only three slugs out of the original order of 10,000 were transposed.

"For new accounts, we presently set loose type on the ThriftiMatic name-tubes to produce encoded items with very good results. The reject rate runs less than 7/10 of 1%.

"For quality control purposes, the first and last item of every order are tested and recorded in graph form. Even though American Bankers Association specifications permit signal strength to vary between 50% and 200%, every effort is made in our bank to keep between 110% and 140%. These items are accumulated and are sent monthly to the manufacturer of our sorting equipment for a complete evaluation and testing reports.

"To sum up, we are most happy with the readability which we are obtaining from the ThriftiCheck Model 46M imprinters."

See A Demonstration Of Magnetic Ink Imprinting During The ABA Convention

You are cordially invited to visit the ThriftiCheck offices at 100 Park Avenue (one block south of Grand Central Station) at any time during the ABA Convention to see a complete demonstration of on-premises magnetic ink imprinting and encoding. We look forward to your visit.



First National's ThriftiMagnetic
On-Premises Imprinting Department

THRIFTICHECK SERVICE CORPORATION

100 Park Avenue • New York 17, N.Y.

1942, 1943, 1945

Three wartime meetings

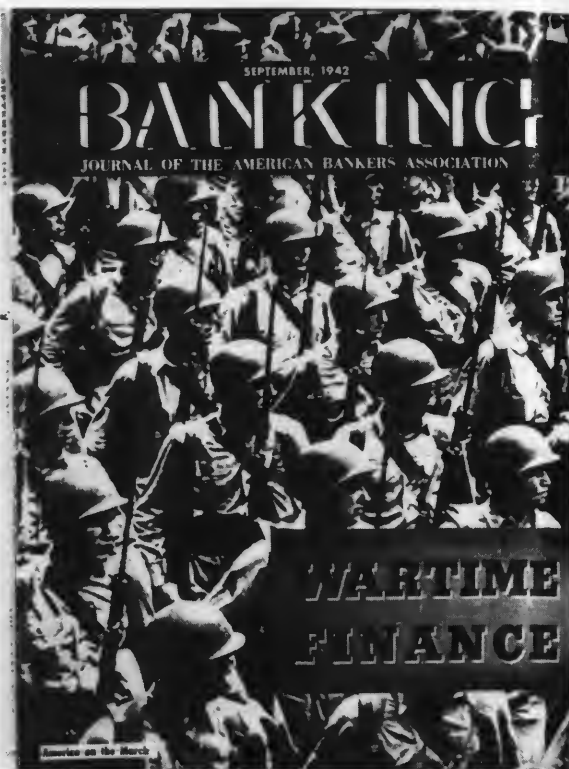
SERVING as A.B.A. conventions were three meetings held in New York in 1942, 1943, and 1945.

In 1942 the Executive Council had a special one-day session; it was declared a convention by resolution. This magazine labeled its September number "A.B.A. Convention in BANKING" and the issue had outstanding contributors, among them President Roosevelt, Secretary of the Treasury Henry Morgenthau, Jr., W. Randolph Burgess, A.B.A. Vice-president W. L. Hemingway, and A.L.M. Wiggins. There were roundtables and symposiums on problems related to the war, including earnings, credit, and financing.

Dr. Harold Stonier, executive manager of the Association, wrote: "In presenting this wartime program we do so with a deep sense of the solemnity of the moment, with thanks to the distinguished men who are taking part, with hope that all may read with enjoyment and benefit, and with regret that we must forego the opportunity for friendly greeting and firm handclasp, until we meet again."

The Association's convention in 1943 was called a War Service Meeting, and the program, said BANKING, "was geared to the problems confronting the country and the banks at the present time."

In 1945 the Administrative Committee had a special meeting in New York. Designated a convention, it transacted essential business of the Association. BANKING'S



BANKING's September 1942 issue was a "convention in print"

October Outlook Issue featured "The A.B.A. Works and Plans," a perspective on the postwar pattern of banking.

In its October 1943 issue BANKING had a picture story on the Association's abbreviated annual meeting

War Service Meeting

The 69th Annual

A.B.A.

Convention in New York

Approximately 3,000 bankers attended the 69th convention of the American Bankers Association, held in New York City, September 13-15.

The program was geared to the problems confronting the country and the banks at the present time. Speakers included representatives of banking in other lands—England, Canada, Mexico.

The convention elected A. L. M. Wiggins to the presidency. His administration will pay particular attention to the problems of country banks.

On these pages are a few convention scenes.



Past-president W. L. Hemingway, right, greets his successor A. L. M. Wiggins, president, Bank of Hartsville, South Carolina

“What’s so bad about basing the ad budget on last year’s shipments?”

Management men, seeking a reliable guide to advertising appropriations, often settle on a percentage of sales. The following commentary on this practice was written by A. J. Bergfeld, President of the internationally known management consultant firm of Stevenson, Jordan & Harrison, Inc.

“Past practices of your own or of your competitors will produce no magic ratios by which you can either judge or budget the right amount of advertising automatically as a percentage of past sales.

“Plans for increasing sales volume, sales revenue and resulting profits by product and by territory or by divisions, can better be analyzed and approved by considering advertising as a programmed cost to be associated with specific profit plans and to be measured against specific results.

“Programming advertising costs as a measured, reasoned and integrated part of a future profit plan usually results in a better plan and better actual future profits.”



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THAT was the title to **BANKING'S** report of the convention at which the Association rounded out three-quarters of a century. The business sessions were devoted largely to a discussion of measures to strengthen the economy and to "an appraisal of steps that have been taken and are contemplated to give military and economic assistance to our allies."

Secretary of the Treasury John W. Snyder was the convention's guest of honor; he received a scroll from the incoming president, James E. Shelton of Los Angeles. President Harry Truman sent a letter of greeting to the bankers through the outgoing president, J. Raymond Peterson of Paterson, N. J.

The resolutions emphasized "Communism and Inflation—Twin Threats," in the words of **BANKING'S** title to the text. The struggle against the former was appraised as "a long-range conflict which may last for decades and calls for long-range policies, for a pace which can be maintained." As for inflation, "only a beginning has been made in resisting" it. Wider distribution of the national debt was advised.



A.B.A. President Shelton, *right, above*, presents to Secretary of the Treasury Snyder the engrossed and illuminated testimonial to his "service as a citizen, a banker and a public servant." 1950 was also the 15th birthday of The Graduate School of Banking, and the occasion, observed at the convention, was reported in **BANKING** in the story *below*



The G.S.B. Board of Regents meets at Convention time. Joseph E. Hughes, chairman, is at the head of the table

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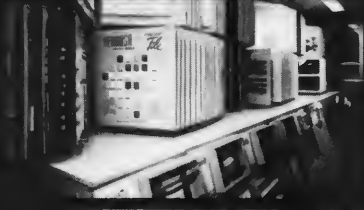
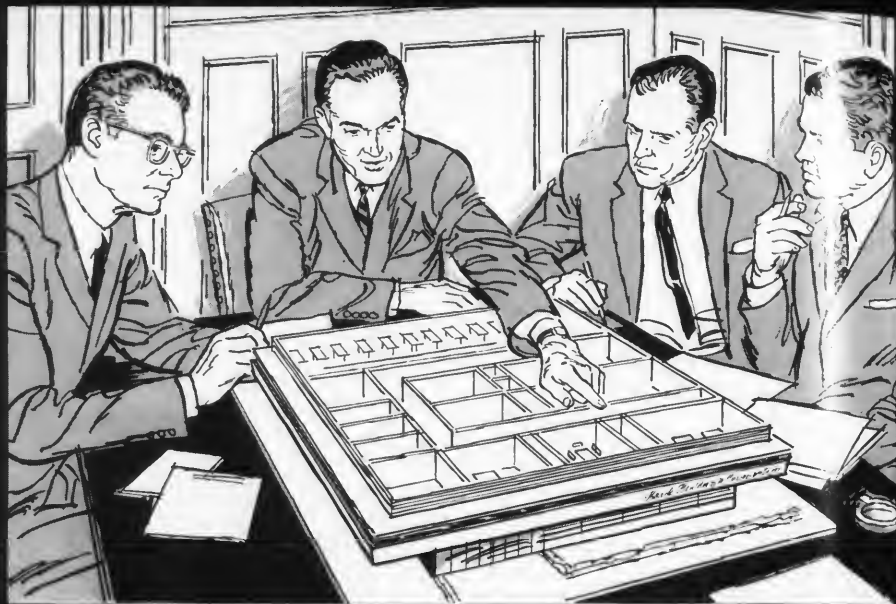
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EXHIBIT A...to Z

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Along the Aisles . . .

A stroll through the exhibits is never enough. With these Exhibits in Print are included articles, discussions, and brief items designed to provide the background and highlights that will bring all the parts into sharper focus. Here are the subjects offered as you stroll, figuratively, through the exhibits in this section.

Bank Automation— in Layman's Language 206

Ever wonder what electronic data processing really is, and how it works? This explanation may shock the engineers because it skips the technical terms to make the whole thing understandable to bankers

The ABCs of MICR 221

You're bound to be putting those magnetic ink characters on your checks sooner or later. Here are the facts you ought to know before starting on a program of check encoding based on the A.B.A. specifications

Five Factors in Building-Planning . . . 228

It's easier to build a better bank than to build a better mousetrap. At least, it's easier if you follow these tips by an acknowledged expert in the field—and the results will be more satisfactory

Banks and Turns 238

This collection of items includes a sampling of some of the things being introduced to help banks improve their service, their operations, their appearance, and their competitive position today

Electronic Arithmetic, The Binary System 246

Are the electronic brains smarter than you? You don't have to answer that question, but maybe you'll enjoy trying to solve simple arithmetic problems the same way some electronic computers solve them

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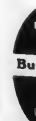


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(l. to r.) President Gus Bowman, Vice President Wm. A. Craig.

The scene: Dallas' \$43-million-plus Exchange Bank and Trust Co. **The equipment:** Burroughs Bank Accounting Machines. **The results,** reported by President Gus Bowman and Vice President Wm. A.

Craig: "On-the-job results verified our initial opinion of this equipment's dependability. The automation it provides proved to be so effective that we save 56% on our investment each year."

Soon—the Visible Record Computer System: "In order to initiate further savings and to prepare for a predictable volume increase, we're going to magnetic document processing via Burroughs B251 Visible Record Computer System. We've already installed the first phase—Burroughs B-101 Sorter-Reader that sorts up to 1,560 items per minute."

Why the VRC: "In addition to unprecedented operational speed and efficiency, its advanced computer techniques and capabilities will put formerly untapped sources of management data at our disposal. Its installation will easily convert our present operations to a completely automated basis resulting in even better service to our customers."

Dallas' Exchange Bank and Trust Co. is one of many banks helped to ever increasing levels of efficiency by Burroughs automation equipment. For details, action—and results—call our nearby branch now. Or write Burroughs Corporation, Detroit 32, Michigan.

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"NEW DIMENSIONS / in electronics and data processing systems"

Bank Automation—

in Layman's Language

RICHARD L. KRAYBILL

THREE bankers stood entranced in front of a broad black panel. They seemed to be fascinated by the flashing lights that winked and danced around the multi-colored rows of bright buttons. The spell continued for several minutes.

Then the lights blinked out. A young man stepped forward and smiled. "That, gentlemen," he announced softly, "completes the processing of an entire day's transactions for 25,000 savings accounts." The three bankers nodded and thanked him.

As they moved off one remarked, "It certainly was an impressive demonstration."

"Why it hardly took any time at all," added a second.

"Yeah," said the third. "But what the hell really happened?"

The fact is that none of them knew what had really happened. And they weren't about to ask. They'd tried that before and had been overwhelmed with explanations that referred to buffer units, on-line processing, complete transistorization, magnetic cores, microseconds, modular design, and peripheral equipment.

Later they might talk about the million dollar pinball machine they'd seen. Eventually someone would say, "Bet they have a little guy locked inside with an abacus." And that's about as close as they'd get to knowing what electronic data processing can do for a bank and how it does it.

Actually, the whole thing is relatively simple to understand if you can just stand back far enough to get a broad perspective. It's when you get close that each piece of equipment begins to look complicated. Even then, each unit can be better understood and appreciated if its place in the over-all picture is clear.

This over-all view of electronic banking puts in understandable perspective the what, where, when, and how of the various parts that go to make up an automation system.

Perhaps the best way to begin is to point out that bank automation is nothing more than the mechanical handling of the routine, repetitious jobs that people have been doing for years. These are the jobs that start with a balance and end with a balance. In between are the routine steps that change the old balance and create a new one.

Each of these intermediate steps is relatively simple in itself. They become complex only in terms of the thousands of times they must be performed and the variety of situations to which they apply. Anyone can do these jobs if he is able to add, subtract, multiply, and divide, and if he knows which of these to do in each instance.

That's exactly what electronic equipment can do. It can do it with savings accounts, mortgages, installment loans, special and regular checking accounts, and even trust operations. You name the job and the machine can be adapted to do it, provided the work can be reduced to a repetitious routine.

The Basic Principles

How does it do all this? The basic principles on which it operates are the same among all manufacturers, but that doesn't mean that the equipment of all manufacturers is the same. Computers differ just the way automobiles, television sets, or typewriters differ, even though each operates on a common set of principles.

The essential elements in any computer, aside from the obvious ability to compute, are its memory and its ability to receive instructions.

There aren't too many different ways that these elements can be built in.

Take the ability to compute. Addition can follow the old adding machine principle, only using electrical impulses instead of gears and levers. Reverse the process and the machine subtracts. Multiplication is nothing but a series of additions and, conversely, division is simply a group of subtractions. Look at it this way and the mathematical manipulations of the computer seem rather simple.

One interesting sidelight is the kind of number system used by a good many computers. Rather than the standard decimal system based on 10 different digits, they use a binary or 2-digit system. A brief explanation of the binary system appears on page 246.

This means that the computer must take the conventional 10-digit information and convert it to a 2-digit form. After performing all the required operations it then puts the results back in the 10-digit form to make them usable.

While this seems like an added complication, the problems it solves far outweigh the ones it creates. Without such a conversion, the computer would have to provide for 10 different signals—one for each digit from zero to nine. Only two signals are needed in a binary system. These can be provided in an electrical circuit by the simple "on-off" principle: "on" for one signal and "off" for the other.

When it comes to the other important elements—the ability to remember and to take orders—there are two basic approaches. One is to

(CONTINUED ON PAGE 209)

HOW WILL YOUR COUNTERS BE DESIGNED?



CURVED?



ANGULAR?



STRAIGHT?

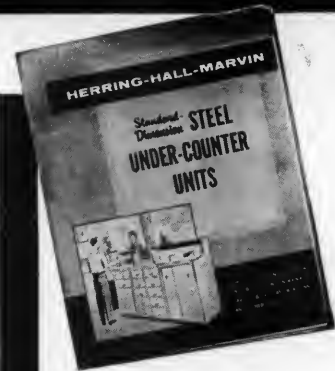


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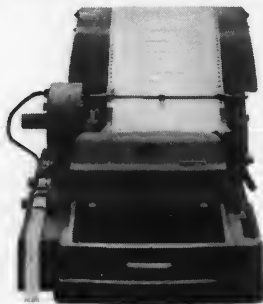


We'll be glad to send you a copy of our catalog showing our money-saving under-counter units with actual installation photographs and practical arrangement ideas. Write today.

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How Chemical Bank New York Trust solved the problem of imprinting these checks



Until a few months ago, preparation of MICR checks was the weak link in the entire MICR system. Not any more. Here's how the Chemical Bank solved the problem—making check preparation as fast and efficient as processing itself:

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2) The tape is fed into a Friden Model ABA Flexowriter® which automatically transcribes the customer's name and MICR codes onto an offset printing plate. (At one-hundred words per minute, *without error!*)

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Using continuous offset masters and continuous punched tape input, Chemical Bank has found it possible to process 400 check orders *per hour* on one ABA Flexowriter.

The bank has had three ABA Flexowriters for more than six months, servicing 118,000 accounts. Mis-sorts have been remarkably low — less than one per thousand checks.

For help in setting up a MICR check preparation system custom-tailored to your needs, call your Friden Systems Man. Or write: Friden, Inc., San Leandro, California.

THIS IS PRACTIMATION: Automation so hand-in-hand with practicality there can be no other word for it.

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Friden

punch holes in paper (cards or tape) to encode the data or orders. The other is to record it electronically on a magnetic surface or core. A drum, disc, or tape (like the media to record sound) could provide the surface. The core devices are like wire grids that hold information in fixed "checkerboard" positions.

The actual recall consists of locating electronically a key number (like an account number) and picking off the information associated with it (like the current balance). It's called "random access" if it can find any account number in any order; it doesn't have to be fed the account numbers in any pre-arranged sequence.

Where the equipment does not allow for "random access," the accounts must be handled in a fixed order. The machine will compute the transactions for each account skipping over the accounts in which there has been no change or activity. However, it can't go back to pick up an account previously passed by.

Memory alone, of course, is useless if the machine isn't instructed to perform the necessary arithmetic with the data it recalls and the new data it receives. This instruction is called programing. Essentially it means setting the internal circuits in such a way that they'll produce the desired results.

Programing the Computer

There are several ways that computers can be programed. One is to have panels of specially wired circuits that can be inserted, each designed to carry out certain "orders." One panel might carry the instructions for handling savings accounts. Take it out and insert another and the computer is now ready to handle special checking.

Another method of programing is to have the instructions encoded on cards or tape. To change from one job to another, you simply slip another set of cards or another tape into the machine.

It is also possible to give instructions to the machine from the console—the master control desk that shows what's going on and signals if anything goes wrong. Usually instructions from the console are limited to the very special or rare situations that might arise.

(CONTINUED ON PAGE 212)

For what it's worth...

One way to avoid delay in settling estates

Adapted from one of the Clients' Service Bulletins of The American Appraisal Company

Often the closing of an estate is delayed when the values of assets are difficult to establish.

This problem is frequently found when an estate includes all or part of the assets of a sole proprietorship, a partnership, or the stock of a closely held corporation. The executor may find wide disagreement between the valuation he places on these assets and the valuation claimed by the Commissioner of Internal Revenue.

A recent decision by the U. S. Court of Appeals, affirming a prior Tax Court decision, was handed down 6½ years after the individual's death. The deceased owned a block of stock in a corporation whose equities were held by a few people, and trading was infrequent. The Commissioner fixed on this stock a value four times that claimed by the executor.

Estimates varied widely

Because such a wide spread between the two estimates involved a deficiency assessment of a considerable amount against the estate, it was but natural that the executor took his case to the Tax Court and, finally, to the Court of Appeals. It is easy to see that the cost of litigation and the delay in closing the estate were considerable burdens to the executor and to the heirs.

What steps might have been taken to avoid such prolonged litigation? One way would have been for the deceased, prior to his death, or the executor to have retained competent appraisers to make a complete analysis of the various

factors involved and then to place their disinterested valuation on the stock. An agreement might then have been more readily reached.

Anticipation of and preparation for such contingencies will encourage fair and prompt agreement on asset values when estates are to be settled.

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THE UNITED STATES NATIONAL BANK

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54 924

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what's drawing most banks towards IBM?

One great attraction, of course, is IBM's total-systems concept of bank automation. This runs the gamut from printing and evaluation of pre-inscribed checks, through unique multi-channel character-sensing equipment, to the widest range of compatible data processing systems for banks of varying sizes.

Most important of all, however, is IBM's concept of Balanced Data Processing, which holds thorough back-up services equally as vital to customers as the equipment itself. These services include:

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These compelling reasons have drawn an impressive majority of banks towards IBM. Possibly their reasons are also valid for you! Let an IBM banking representative, who talks your language, show you just what IBM has to offer your bank.

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4. Official Dime-saver to help build your savings dollars.

Advantages of joining coin saver club are pointedly listed.

Coin Club Used To Lure Young Savers

The Illinois National Bank of Springfield has introduced a new children's savings incentive program called World Wide Coin Club. Purpose of the organization is to encourage children to save in a manner that is both interesting and educational.

According to the club plan, when a child opens a savings account for \$2.00 or more, he receives the following kit: A coin saver Club Book entitled "Coins and Currency"; a world map coin album; a magnifying glass for identifying coins; a set of five foreign coins; a dime bank; and a book on the club.

... AND HERE IS A LOOK AT THE RESULTS

- ★ AVERAGE BALANCE OF NEW ACCOUNTS—\$25.00!
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- ★ ALL-AGES APPEAL—Instills the savings habit in youth—receives maximum adult participation

THE WORLD-WIDE COIN SAVER CLUB® PROGRAM is a complete promotional package—that will build new accounts... that will increase established accounts!

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J. Bernard Strauss



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The reason for this is fairly clear. If all the instructions had to come from the operator, most of the advantages of automation would be lost. He just couldn't operate as quickly and accurately as the computer working alone. On the other hand, it would be almost impossible to program a computer to handle every conceivable situation that might arise. The operator should be able to pass along special instructions where they're required.

This is important because the computer cannot make any decisions of its own. It's not a "thinking" machine. The only decisions it can make are those that have been anticipated by management and programmed into the machine.

For example, it can decide whether to honor an overdraft or not only if management has explicitly told the computer under what conditions it can and what conditions it can't. A better way is to have it refer all overdrafts to the operator. A responsible person will make the decision in each case and tell the computer "honor" or "don't honor."

Takes Two to Program

Although programming requires the skilled hand of the technician, it is up to the banker to plan the work in a way that will achieve the greatest efficiency. Take an overly simple case. Suppose you want the computer to take 5% of two different numbers and then add the results. Set it up that way and the computer will perform three operations to get the answer. If, instead, you instruct it to add the two numbers and take 5% of the result, you get the same answer in only two steps.

Careful programming increases the efficiency of the equipment, and efficiency is what has attracted the attention and fired the imagination of bankers. They hear of a computer that can add a quarter-million 12-digit numbers in one second. Or another that can locate over 400,000 accounts in one second. They apply these figures to their daily operations and are amazed at the promise they see in such equipment.

While these fantastic speeds are interesting, they are not always the most important thing to be considered. The banker should consider the memory capacity, the flexibility,

(CONTINUED ON PAGE 214)

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MODEL 502 BRANDT ELECTRIC AUTOMATIC CASHIER — Abbreviated Keyboard Type. Consists of two units, a coin dispenser and a separate, small, simplified keyboard. The keyboard unit may be placed apart from the coin dispenser unit anywhere in the teller's work area. Lighter key pressure required than with manually operated machines. Coins are delivered directly to customers by means of a delivery chute.



MODEL 500 BRANDT ELECTRIC AUTOMATIC CASHIER — Full Keyboard Type. Consists of two units, the same coin dispenser as the Model 502 and a separate keyboard having a full range of keys, thus requiring the depression of only a single key to make a coin payment ranging from 1¢ to 99¢, inclusive. Keyboard may be placed anywhere, to suit the convenience of the operator.



MODEL 450 BRANDT ELECTRIC AUTOMATIC CASHIER — Single Unit, Delivery Chute Type. Coin dispenser and keyboard combined into a single unit. Only one key is depressed to pay any amount from 1¢ to 99¢, inclusive. Coins are delivered direct to customer by means of a delivery chute.

MODEL 250 BRANDT AUTOMATIC CASHIER. Similar to the Model 450 except that it is operated manually instead of electrically.

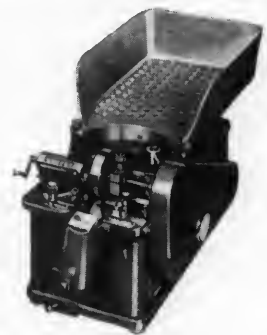


MODEL 350 BRANDT ELECTRIC AUTOMATIC CASHIER — Trap Door Type. The teller depresses a single key to make payment of amounts from 1¢ to 99¢, inclusive. Coins fall into a hopper at front of machine. A slight backward pressure on the trap door at the base of the hopper allows the coins to fall into the teller's hand; coins are passed to the customer by the teller.

MODEL 150 BRANDT AUTOMATIC CASHIER. Similar to the Model 350 except that it is operated manually instead of electrically.



MODEL 5L BRANDT COIN SORTER AND COUNTER — Motor Driven. Sorts and counts mixed coins, pennies to half dollars, inclusive. Features "quick take-apart" construction permitting quick, easy access to many of the working parts. Auxiliary items such as stand, bagging attachments, built-on inspection pen and others for use with this machine can be furnished if they are desired.



MODEL CHM BRANDT COIN COUNTER AND PACKAGER — Motor Driven. Handles all coins from pennies to silver dollars, inclusive. Mechanical improvements make for speedier packaging or bagging of coins with less effort. A number of auxiliary items including stand, crimper and others are available for use with this equipment. Hand operated machine is also available.

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ASSETS UNDER ADMINISTRATION
EXCEED \$2,329,000,000

(CONTINUED FROM PAGE 212)

the ease of programing, and the potential for expansion that are built into the computer. The internal speed is often secondary because it is governed by the speed at which data can be fed into it and the speed at which it can give out the results.

This brings us to the many different kinds of gadgets that sit on either side of the computer—the peripheral equipment. On one side are the input machines and on the other side are those to handle the output.

On the input side are such devices as key punches to encode data on cards or tape, magnetic ink readers and sorters, converters to transfer data from cards to tape or from tape to cards or from tape (punched) to tape (magnetic).

On the output side are found high speed printers that transform the computer results into legible records, machines to encode the results on cards or tape, and other devices to convert, transmit, or record the end product of the computer.

The Need for Translation

Such equipment is needed because computers must receive information in a form they can use and must produce results in a form bankers can use. This means that original records must be put in some form that will correctly trigger the computer. These triggering forms could be magnetic ink characters, punched holes, magnetic impulses, or a combination of these.

Similarly, the end-product of a computer is an electrical impulse, or series of impulses. These must be translated before they can be used. Often they must be translated into a couple of different "languages": into cards or tape and into the conventional forms and language that bankers use for their statements and records.

From this it can be seen that there are a great many individual and specialized jobs that need to be done between the creation of the original document and the filing of the final record. And there are a great many manufacturers producing the equipment to do these jobs. Some produce a full line of equipment, while others specialize in particular areas.

The banker has an almost infinite

(CONTINUED ON PAGE 216)

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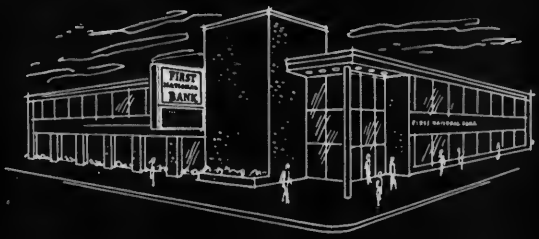
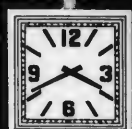
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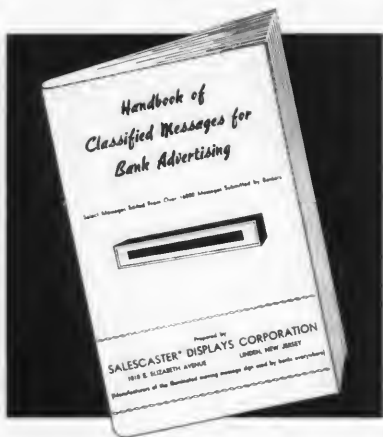
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(CONTINUED FROM PAGE 214)

number of choices in selecting equipment for a fully automated system. And each banker should carefully consider what each manufacturer has to offer. There is no one system that is best for all banks. And there is no one manufacturer who has a monopoly on superiority.

They have all been working hard to improve their products and they have all succeeded in various ways. Today they use the small, low-voltage transistor instead of the bulkier, higher-powered vacuum tube to control the amount and the direction of the flow of current. Other advances include simplified wiring procedures, improvements in parts and design, and more efficient assembly.

The net result of all this has been to reduce size and cost without sacrificing the ability to perform. An equally important by-product has been the elimination of expensive extras such as air conditioning, special power lines, and reinforced flooring.

It has enabled the operators to spot malfunctions faster and the technicians to service and repair the equipment easier. Rather than laboriously track down the one faulty part, the repair man now simply goes to the trouble area and replaces the entire unit in that area.

For Greater Speed

Similarly, companies have been developing and improving the equipment for feeding material into the computers and taking it out of them. Their efforts are toward improving the speed and efficiency of getting original data to the computer and printing the results. An important part of the effort is to eliminate the human factor as much as possible.

It is generally agreed that the weak spots in any automation system occur where people must handle the data. Not only must the process be slowed down to meet human capabilities, but the chance for error is also highest.

This is a strong argument for an "on-line" system—that is, a system geared to carry the data through all the necessary steps without any human interruption. In "off-line" systems the various processing steps are linked together by hand.

An example of on-line automation might be one in which each teller's station has a keyboard wired di-

rectly to the central computer. A savings account customer comes in to withdraw \$50, presenting both his passbook and the withdrawal slip. The teller flips open the passbook and sees the balance. He punches the account number, the balance, and the amount of the withdrawal into the keyboard. The computer finds the account and checks the balance. If everything is all right, it subtracts the withdrawal, figures the new balance, and sends the information back to the teller where it is automatically printed in the passbook.

The beauty of such a set-up is that the computer can remember and take care of all the exceptional situations.

One of the drawbacks is that it is a much more expensive kind of installation. It is generally considered to be the "ideal" toward which banks might aim, but not the first step they should take into the field of automation. That's why the off-line systems are frequently recommended for banks.

An "Off-Line" System

Under an off-line system the teller would accumulate the records at his station. Periodically these would be collected and taken to the computer for processing. In all likelihood they'd have to go through an intermediate step of being translated to a machine language that the computer can read. Errors made by the teller would not be caught immediately, and there is the added danger of errors being made when the data are translated for the machine.

However, this does not mean that a bank must acquire a complete line to benefit from automation. Many of the individual units now being produced can perform specialized jobs in a highly efficient manner. Later, as the bank introduces mechanization into other areas, the various units can be tied together. This idea of gradually moving, step by step, toward automation is one that holds promise for even the smallest bank.

To take advantage of this promise, one must know what equipment is being offered, what it is designed to do, and how it can fit into the bank's plans for automation. The advertisements and the exhibits of manufacturers are prime sources for learning about their equipment and the jobs they can do.

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National enthusiastically cooperates with America's Bankers to solve today's needs for practical and economical high-speed bank accounting equipment.

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Cooperation—based on confidence in results—is a basic reason why National has repeatedly developed impressive "firsts" for the benefit of the banking field.

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1st to provide convenient visual form alignment in a flat printing table . . . no carriage movement.

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1st to provide true credit balance computation and printing from all totals of a multiple-total machine.

1st to provide automatic clearance of all totals . . . in sequential order . . . in *one* simple operation.

1st to provide electro-mechanical proof of the accuracy of all balances picked up in the posting operation.

This unit, too, can be coupled with a National Tape Recorder, "capturing" all required information in punched paper tape for subsequent electronic Data Processing.



National **POST-TRONIC* MACHINE**

1st practical electronically controlled bank bookkeeping machine.

1st to be made available to banks (October 1956).

1st to be installed (May 1957).

1st in user preference—in 3-year span since first installation, over 6,000 POST-TRONIC Machines have replaced over 12,000 conventional machines . . . posting 30% of all bank checking accounts in the nation.



WHAT EVERY BANKER SHOULD KNOW

The ABCs¹ of MICR²

¹ Aims, Benefits, Characteristics

² Magnetic Ink Character Recognition

THOMAS W. MILES

BANK stationers who heretofore printed checks to please the human eye today meet the exacting requirements of an electric eye. That involves precision printing with tolerances of ten-thousandths of an inch, and proof-reading with microscopes that enlarge the characters 50 times.

This is the revolution that the growing demand for automation in check handling has wrought in the specialized bank printing industry. While keeping abreast of the demand, bank stationers are investing hundreds of thousands of dollars to re-tool their shops and re-train their personnel in anticipation of even greater demands within a few years for the encoding of checks and deposit slips in magnetic ink. In the New York area alone more than half of all the check printing is encoded in magnetic ink.

None too Soon

Automation in check handling is coming none too soon in view of the explosive growth in the number of checks being issued. This year the total is expected to be 14-billion and by 1970 the estimate is 28-billion. This is a paper mountain that needs more than human hands to move.

That point worried Congress. Would automation mean fewer bank jobs? The Joint Economic Committee devoted a full day of its hearings in the fall of 1957 to the subject of automation and its effect in banks. Three bankers reassured the committee.

In view of the eruption of a paper mountain of such proportions, the bankers were sure that the mere hiring of additional bank employees would not move the mountain. Much of the work was monotonous and

Check encoding is one area where all banks and all bankers will meet in the field of automation. Here is a description of the area that will help to make it familiar territory for those who have not yet moved in.

repetitive anyway, they said. And bank personnel generally prefer to let machines do those chores while they apply themselves to the more interesting, important, and productive phases of bank operations.

An idea of the sheer labor involved was outlined by John A. Kley, president of The County Trust Company, White Plains, N. Y. Mr. Kley is a leader in the magnetic ink character recognition program as chairman of the Technical Committee for the Bank Management Commission of the American Bankers Association. He posed the problem facing banks in this way:

1000 Miles of Checks

"The estimated 10-billion checks issued in 1956 were handled by an average of 2 $\frac{1}{3}$ banks in the process of collection. Extending this mathematically, it would result in approximately 23-billion check handlings. This, of course, does not allow for the multiple handlings within a given bank. The 10-billion checks written in 1956, if stacked front to back, would reach from New York to Chicago."

Encoding the checks in magnetic ink characters that could be read by the scanning head of a machine was the only practical method of handling such an enormous load. To do that the magnetic ink character recognition program, often referred to by its initials, MICR, was developed.

When a common machine language was worked out in April 1959 for encoding the characters and symbols to be read by the equipment,

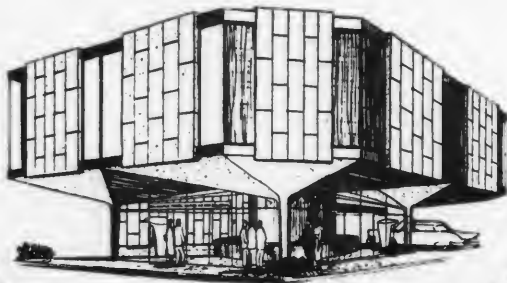
the program was really under way. The common machine language did for the MICR program what standard gauge track did for railroad transportation in this country.

Here's how it works. As the checks pass through the common machine language equipment, the characters receive an electric charge which magnetizes them. Signals, which differ for each character, are then transmitted to a reading head which, in turn, activates the units that perform the designated sorting, listing, and posting tasks.

Although it is called "magnetic ink," the ink is a ferrous (iron) oxide that is magnetized when it receives the charge in the machine. As each digit passes under the machine's reading head, the machine checks for the presence or absence of magnetic ink at a number of points in the area which the figure occupies. Since no two figures will have ink present or absent at all the same points, the machine senses what figure is printed. This reading is done at the rate of thousands a minute.

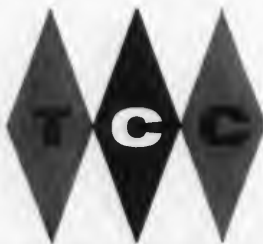
Importance of Precision

So the way that magnetic ink is imprinted on the encoded area on the check assumes tremendous importance. It must be exact; no more, no less, and in the precise area on the check where A.B.A. specifications designate it to go. Even a new typeface, known as E-13B, has been designed. All of these details are set forth in the orange-colored "Common Machine Language" book of the A.B.A.'s Bank Management Com-



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mission which is the bible of bank stationers and everyone else concerned in the MICR program.

In the halcyon days of "pre-MICR" there were 17 misadventures that could befall a check in its progress through a printing shop, but with MICR there are about 277 things that can go wrong with it. Assuming 20 numbers are encoded on the check, any one or more of 13 errors can be made in the printing of each of those numbers. Twelve of these 13 are rigid specifications required by the accounting equipment, while the unlucky 13th is just the plain mistake of printing the wrong number. Therefore, instead of worrying about only 17 things that can be wrong, check printers now have to worry about 20 x 13, plus 17, or a total of 277 possible goofs.

The New Requirements

Here are some of the new requirements that printers have to meet in the magnetic ink imprinting that they do:

The positioning of the encoded characters at the bottom of the check. They go within a $\frac{1}{4}$ " band, the bottom of which must be $\frac{3}{16}$ " up from the bottom edge of the check and the end of which must extend 6" from the right hand edge of the check. In that way all checks, regardless of size, feed into the machines alike.

This has meant in some cases re-design of checks. The signature line had to be moved up and, where it was insisted that the titles of the authorized signers be used, the titles were placed on a line above, rather than below the signature. In an effort to relieve crowding, the A.B.A. ruled that the name of the town and state could be dropped from the date line.

In the spacing of the magnetic ink characters it is required that the distance between the right average edge of adjacent characters be .125" with a tolerance of plus or minus .010".

There is another gremlin called "skew." That is the degree off perpendicular with respect to the bottom edge of the document that a character can be awry. The most it can be out of line is $1\frac{1}{2}$ degrees.

Embossment presents special problems with magnetic ink in which the iron particles are suspended in solution. It cannot be more than .001"

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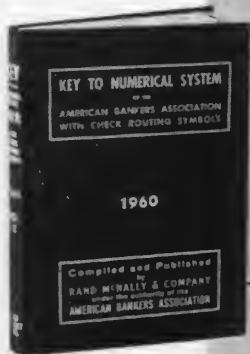
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as measured from the front plane of the check. And a stereoscopic microscope is used to measure it.

The "signal level" of the characters, as a specification, was wholly new to bank stationers. This means that they have to print so that the ink coverage of the encoded characters and the iron oxide content of the ink will be sufficient to send the proper electrical impulse to the reading head.

The Right Amount of Ink

The uniformity of ink is a separate specification. It requires that the ink deposited is to be uniformly distributed within the outlines of each character. That means avoiding excessive squeeze-out on letterpress and halo on offset, conditions caused by too much ink or too heavy impressions. The tolerance allowed for squeeze-out or halo is not to exceed .0015".

Voids are defined as the absence of ink within the specified outline of the printed character. To the naked eye they are hardly noticeable but under the microscope they look like building excavations. A void in a zone (each character can be broken into "zones" on a reticle microscope) .013" wide is acceptable if it can be contained in a square .008" by .008".

As if the "excavation" type of void were not enough to contend with, there are also "needle" voids. In a horizontal line a void of .004" by any length is acceptable; in a verticle line the tolerance is .002". In general, the total void area must not exceed 20% of the column or row.

And in the Right Places

Extraneous ink is not allowed either on the front or the back of the check. On the front it is defined as that which is visible to the naked eye, or more precisely random occasional spots may not exceed in size a .004" square. On the back it is not acceptable if more than barely visible to the naked eye and may not exceed a .006" square.

It is evident from this that the inspection and quality control department of the modern bank stationer is the radarscope of the shop. There the work is evaluated. One company employs 10 persons at all times who do nothing but make evaluations of the work turned out. But at that they have to spotcheck



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all the orders and only a small percentage of the checks can be fully evaluated. To make an inspection of just one check for A.B.A. specifications, the company found it took these men nine minutes. This is in marked contrast to the scanning techniques in use before MICR.

Even in what has always been such a relatively simple matter as the cutting of paper, bank stationers have had to change their methods. Whereas they used to cut large quantities in one stroke of their heavy machines, they are obliged to reduce the quantities and increase the number of operations. In large quantities the measurements were not sufficiently uniform for the new specifications in check printing. This also held for the perforations between checks. Some printers have felt obliged to make these a sheet at a time for the sake of accuracy.

The Problems of Paper

In the matter of paper, it used to be enough that the paper be smooth and nice looking. Now it must be all of that and something more. It must be level. The more level the paper, the more perfect will be the laying on of the ink. The thickness of the paper is important, too. It has an effect on the embossment; that is, any impression that the type



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September 1960



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RAND McNALLY

of a letterpress might make. It also affects ink coverage in offset work.

The atmosphere has a part in the paper problem because of the tendency of paper to absorb moisture. This brings about changes in the thickness of the paper. For instance, the edges have a tendency to take on moisture and become thicker, and the sheets become uneven. For that reason some bank stationers have completely air conditioned their shops to control humidity and temperature. Many have at least their paper storage room so controlled.

Special Drying Qualities

The drying qualities of the magnetic ink are of special interest to bank stationers. The checks as they are printed cannot be allowed to mark with magnetic ink the underside of each successive check that falls from the printing press.

As mentioned earlier, that would cause rejection under the specification about "extraneous ink."

At demonstrations salesmen for automation equipment will some-

times smudge a magnetic ink character, or cover over part of it to show that the equipment can still "read" it. That bothers bank stationers. Why go to the length that they do if machines can "read" checks so mutilated?

Why the "Specs" Are High

It has been shown that the machines will "read" characters encoded somewhat below A.B.A. specifications. But the A.B.A. specs are the measure of quality printing in the opinion of the Bank Stationers Section of the Lithographers and Printers National Association

As one LPNA member pointed out recently: "The specifications are designed for examining encoded documents immediately after they come off the press but before they are placed in public circulation. There is undoubtedly loss of effectiveness in the encoded information while the checks are being handled, carried around in billfolds, folded, and mutilated.

"There is, therefore, a justifiable reason for the specifications being

more restrictive than the actual requirements of the reading equipment. It has been determined that if the printing immediately off the press meets the tolerances of the specifications, in general, it will still be in condition to be 'read' by the electronic equipment after it has been given normal handling.

"It is therefore very evident then that it is necessary for us to print in accordance with the specifications, even though we could be a little worse and the equipment still read."

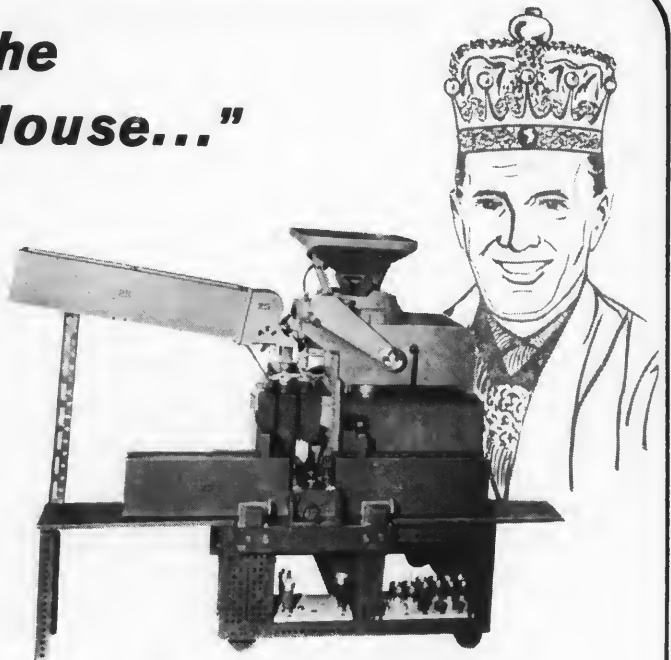
A New Angle of Bounce

It might be added that otherwise banks could get checks with a new "bounce" in two or three years as the MICR program comes into more general use. These will be the rejects in check automation, rejected because their magnetic ink encoding is so far off A.B.A. specifications that the equipment cannot "read" them. To make sure that the "bounce" is not on them, professional bank stationers are applying their skills and resources to pass the electric eye in the MICR needle.

"The King is in the Counting House..."

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Five Factors in Building-Planning

Expansion may be inevitable, but improvement takes planning. These tips on how to make your bank building bigger and better are from a man with more than 40 years' practical experience. He's president of Bank Building Corporation

L. J. ORABKA

IF ONE WORD were required to serve as a capsule description of the banking industry's performance in the past 10 years and its outlook for the decade ahead, the solitary term GROWTH would not pass far from the mark. For banking is truly a "growth industry" and, to quote Arthur A. Smith, vice-president and economist for the First National Bank of Dallas, "it is the oil which both energizes and lubricates the economic machine."

Most of us associated with the financial field are familiar with banking's performance in the last 10 years. In brief summation, during that period the deposits of commercial banks increased some 50% while their loan volume grew 135%. And comparing cause and effect, these gains were sustained while the country underwent a population jump of 25,000,000 people and experienced an increase in gross national product of roughly \$180-billion.

Steady Growth Ahead

As for looking ahead, it's apparent that at least in 1960 our business activity hasn't reached the rocketing upturn that a great many economists in late 1959 predicted for the decade ahead. However, the present upward trend does reflect a steady and, as noted by many, a perhaps healthier growth pattern for the U. S. economy. In short, there seems little question that present growth will continue and that it is steady and strong enough to foster a great deal of business and more pointedly *phys-*

ical expansion for the American banker.

One of the major factors that will influence bank expansion is the overall population picture, for it obviously indicates a growing market for financial services. The Census Bureau estimates that the number of people in the United States will jump from today's level to roughly 210,000,000 sometime between 1965 and 1970.

Another important item which will have its effect on banking growth is the activity to be expected in the building and construction industry. Between now and 1970 top building economists predict that all of \$500-billion will be channeled into new projects. They point out that, while this huge amount is roughly equivalent to the value of all buildings standing in the U. S. today, it is the minimum amount of construction that will accommodate our population gains.

Aside from these easily recognized economic guideposts a secondary item, competition, should prove to be an equally important stimulant to bank expansion. As competition increases among banks, and between banks and rival financial organizations, added customer services and innovations will open wide new market areas.

Many banks, for example, have extended their operations to handle such things as consumer credit, charge accounts, and bookkeeping for a number of independent department stores, small chains, companies,

and corporations. Depending upon local needs, banks are introducing specialized services for farmers, small businessmen, professional men, and other groups.

As for physical expansion, new bank construction and renovation has, of course, traveled a steadily rising curve since World War II. This upsurge in the development of new banking quarters is reflected by our company's volume which, for the past 13 years, has annually reached record highs. The momentum generated in the bank building field has continued in spite of temporary economic or market fluctuations. Even during the recession period of 1957-58, most bankers continued with their projected expansion plans.

No Precise Prediction

An actual "dollars and cents" projection of bank construction in the decade ahead is difficult to form since it would be necessary to differentiate between renovation of existing quarters and an outright new building, as well as predict the volume to be added by newly chartered organizations and branch expansion.

Personally, I am confident bank construction will continue its established upward trend and if anything, intensify in activity. The full impact of economic and competitive growth hasn't as yet been felt throughout the broad cross-section of our banks. Of course, as growth brings more pressure to bear, physical expansion is a must or many institutions will

(CONTINUED ON PAGE 231)

YOU'VE READ ABOUT IT!



NOW YOU CAN HEAR IT!

We had hoped that you would hear the beautiful music of the Schulmerich "Pied Piper"* Carillon while attending the 85th Anniversary Convention of the American Bankers Association. Since there are no exhibits at this convention, this is not possible. Instead we are extending the opportunity for you to receive your own *Free High Fidelity LP* album of the same carillon music that is now being heard from a host of financial institutions all over the country. Just fill in the coupon at the bottom of this page and mail it today—*Without Obligation*. This is a private brand recording, and cannot be obtained other than through Schulmerich Carillons, Inc. of Sellersville, Penna.

Turn to the next page to learn more about what the Schulmerich "Pied Piper" Carillon can do for *your* public relations program, as it has for many others.



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Yours Exclusively . . . Remember too—when the "Pied Piper" Carillon serves your community, it serves through you alone . . . exclusively. It becomes your voice—your recognized hallmark. No other bank in your community can have the "Pied Piper." *Be First*

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(CONTINUED FROM PAGE 228)

soon be literally bursting at the seams.

With the continued activity in bank construction, it naturally follows that new techniques, standards, and products have been and are being developed to fashion the bank into an attractive, friendly, and highly efficient plant. In spite of these forward strides, there exists no pat formula that will automatically assure the success of a modernization or new building project. Each organization still faces individual problems and conditions.

Elements of Success

However, certain major factors are common to the success of all projects. If carefully evaluated they will provide a good indication of the present position and how best to move toward project goals. These include:

(1) **Location:** Historically, bankers have resisted moving from long established locations, but in many cases today it's necessary to shift sites. While changes in population trends and customer habits may necessitate a move, it is unwise to write off a present location without a thorough analysis of its potentialities. The main points to study here are: the physical evaluation of the surrounding neighborhood; the projected real estate trends; conditions which would effect losses, gains, or static conditions in population, and current and future traffic trends; projects for new street construction; and future plans of city transit facilities.

Tips on Remodeling

If remodeling is considered, the existing building must be thoroughly checked. As a rule of thumb, remodeling costs less than new construction, but only if the structure measures up to certain standards. Does it provide the necessary space for future growth? If not, is it structurally able to accommodate vertical or lateral additions? Also, the building's mechanical and electrical equipment must be adequate to the point that they can be feasibly modified to build in a reserve factor for the future.

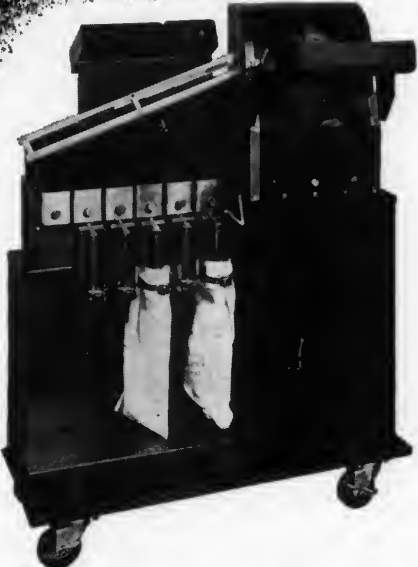
(2) **Design:** It is important that institutions establish an individual identity through design. Banks, much like people, need a personality—one

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For details, write

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that appeals to the majority and yet sets it apart from competitors. In short, design to merchandise and attract new customers. Almost unlimited design possibilities have been opened up through the tremendous advances of materials such as aluminum, stainless and porcelainized steel, concrete, glass, plastics, plywood, and ceramics. One item alone, the development of the non-load-bearing curtain wall has added untold flexibility to bank design.

Provide for Tomorrow

Aside from the merchandising aspects of new quarters design, consider the ability to handle future expansion. By careful planning at the outset, a building committee can provide an outline of tomorrow's bank in today's blueprints. Through proper design, provisions can be made ahead of time for vertical, lateral, or drive-in unit expansion.

And while considering drive-in service, either for a new building or modernization plan, it must be remembered that automobiles have steadily grown in size during the postwar years. Up to 1960 the average family car has dropped 10 inches in height, increased in width by 7 inches, had a 14-inch jump in wheelbase and, most important, grown in length by 26 inches. There's no guarantee this trend will stop and adequate driveway and window spacing should be allowed for future safety.

No One Perfect Style

Obviously, it's impossible to specify one over-all type of correct bank styling. This depends largely on the characteristics of the individual community. I will predict, however, that for several reasons the modern or contemporary approach will continue to be preferred.

First, it is highly compatible with the functional layouts necessary for today's operation and also provides the freedom of form and simplicity that aesthetically expresses an efficient interior.

Second, contemporary design is highly adaptable to current and future lightweight economical materials that naturally will find increased usage.

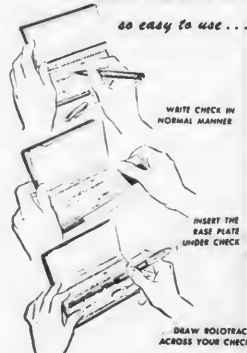
Third, and probably most important, contemporary designs are from 10% to 15% more economical to construct than classical varieties. In

(CONTINUED ON PAGE 236)

PAT. PENDING

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PHILADELPHIA-CHICAGO-LOS ANGELES-SPOKANE—REPRESENTATIVES IN PRINCIPAL CITIES

Banker gives inside story



"Mr. Stinson, what's that beautiful, shiny door for and why is it so big?"

"Julie, that protects our vault . . . where we keep money and other valuables belonging to people like you who use our bank. The door is big because it has to be very, very strong to make sure everything we keep in there is absolutely safe. It's pretty, too, isn't it?"

"It's so pretty I'll bet that's the kind of door they have in a castle to protect a princess. Could I see inside?"

"Certainly . . . just follow me."

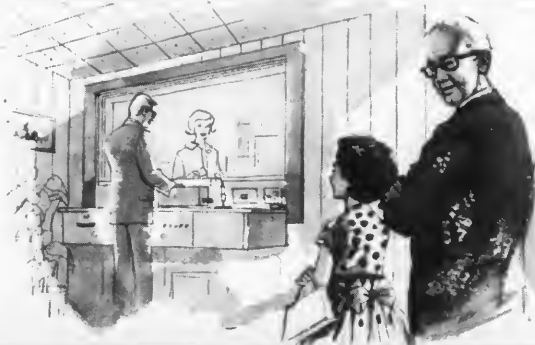


"I think so . . . what's that over there with the green light?"

"That's a vault ventilator. If somehow you and I were to be locked in here, all we'd have to do is turn that handle and fresh air would begin blowing in here, so we'd be safe and comfortable until the people outside the vault were able to unlock the door."

"Are we going to be locked in?"

"No . . . people very seldom get locked in vaults, but we all feel better knowing that ventilator is there. Now I want to show you some things outside."



"Now, Julie, this window is pretty much like the other one, isn't it?"

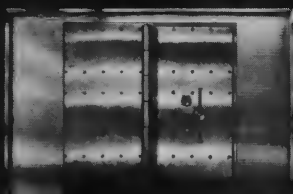
"Yes . . . but do the cars drive up over the sidewalk?"

"Oh, no . . . this is called a walk-up window. It's for the people walking by who don't have time to come into the main bank."

"There must be a lot of people in a hurry . . . see how busy this man is."

"Well, Julie . . . everybody likes to save time and steps . . . that's why so many people use this window."

WE'D BE PLEASED TO GIVE YOU COMPLETE INFORMATION ON ANY OF THESE PRODUCTS MR. STINSON SHOWED JULIE



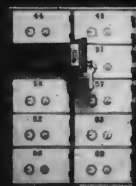
DIEBOLD-BASIC VAULT DOORS



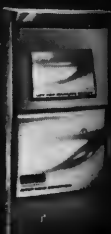
VAULT VENTILATORS



DRIVE-IN WINDOWS



SAFE DEPOSIT BOXES



AFTER-HOUR DEPO

...to very important depositor



"It's so quiet in here . . . and what are all these boxes . . . and why do they have two locks?"

"These are called safe deposit boxes, Julie—people keep important papers and other things like jewelry in these boxes because they know they'll be completely safe from burglars or fire."

"You didn't tell me about the two locks."

"I'm sorry . . . you see the bank has a key to one of the locks, and the person who rents the safe deposit box has the other key. Both keys must be used to open the box . . . that way nobody can get in who's not supposed to. Understand?"



"Julie, do you know what drive-in banking is?"

"I've been with Mommy when she drives in here. What makes that drawer come out to the car?"

"An electric motor makes the drawer move . . . the lady is pushing the button now . . . see the drawer go out to the car?"

"Gee, doesn't it move fast . . . who's talking?"

"That's the man in the car . . . it's just like having him inside with us, isn't it?"



"We'd better be getting back to my desk, but I wanted to show you this After-Hours Depository."

"What does it do?"

"It lets people like storekeepers put their money in the bank even when the bank is closed. See, there's a slot up here for envelopes . . . and then this drawer opens up for people who want to put in bags of money."

"What's that word 'DIEBOLD' mean?"

"That's the name of the company that made this depository and all the other things we've seen today. We think they make the very best equipment, and for very important customers like you, only the best will do!"

JULIE



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300
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REPORT
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 "We added approximately 800 new accounts to our savings." (Town of 5100 people)
 "The most popular item we have ever used in connection with a savings campaign."

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(CONTINUED FROM PAGE 232)

fact, considering current material and labor costs, several of the traditional forms would be completely prohibitive to erect.

(3) Interior Planning and Layout: It's a well-known fact that sound design works from the inside out, and this is particularly true in the case of banks where operational efficiency is at a premium. Things to consider are:

First, design for work flow and motion. Plan the floor layout to accommodate operational methods rather than fit systems to attractive but inefficient surroundings. Your operational details control the design of fixtures, rear counter installations, check desks, and other units. Also, to facilitate future internal revision, position "permanent" items such as vaults, plumbing cores, and stairwells at perimeter locations.

Second, plan administrative space carefully. It should be adequate but not excessive and located where it best suits the particular officer's job. Proper balance provides accessibility with sufficient distance to prevent officers from being subject to details better handled by other staff members.

Please the Public

Third, customer comfort and convenience must be considered. There's profit in pleasing the public for, from the customer's viewpoint, your public areas are your building's most important element. Aside from providing adequate conference room, sufficient lobby space for peak loads, and comfortable lounge areas, don't overlook the public relations value of community rooms and special children's areas.

Fourth, provide for future automation if necessary. This may be more applicable to only larger organizations, but is too important to avoid mentioning. Advanced preparation involves the use of heavy duty wiring, the pre-installation of raceways and conduit for future outlets, the addition of sufficient duct work to handle the added air conditioning load which may be incurred.

Fifth, don't overlook employee facilities. This should hardly require comment. Lighting, ventilation, acoustics, adequate washroom and lounge facilities, and perhaps feeding and recreational areas are among the points to be considered.

(4) Interior Decor: It is important to utilize materials that require minimum maintenance and upkeep while preserving high decorative quality. This is not as difficult as it may seem. Plastic wall coverings and upholstery, synthetic drapery fabrics and carpeting, exposed face brick, laminated woods, and the wide range of vinyl and asphalt tiles are all eye-pleasing and long wearing.

Lighting and sound control have also been advanced to the point where, in addition to serving their obvious purposes, they add immeasurably to interior decor. Some of the latest developments to be considered in this combined field include luminous ceilings, cove lighting, suspended acoustical ceilings and "acousti-baffle" grids.

An Eye for Detail

(5) Special Features and Equipment: Finally, in many cases it's the details that make new quarters distinctive—set them apart from their competitors. However, unique installations or equipment should not be considered for their novelty value only. Depending on geographic location, aspects of the individual job site, and characteristics of operational methods, certain of these new developments can increase business efficiency as well as intensify customer traffic. Some items gaining popularity in the field include closed circuit TV, dial-route pneumatic tube systems, air-door installations, sidewalk and driveway snow melting coils, and automatic traffic light control for drive-up installations.



"We'll have to scrimp for a while!"



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NATIONAL MARKET REPORTS, Inc.

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Banks and Turns

News of banks and of the changes that will affect them is presented here in capsule form. These short, easy-to-read items cast additional light on interesting and informative banking developments.

WHAT'S ahead in automation? A responsible official of one manufacturing concern summed up the sentiment of many others when he said, "Evolution; not revolution." He went on to point out that the industry is unlikely to depart from the basic concepts upon which present equipment is being constructed.

There are two practical reasons for this. One is the economic factor. A great deal of money has been spent to develop and produce today's equipment. The manufacturers have to get a return on this investment before they try to move in some other direction.

Then there's the technical factor. When you are moving and processing information electronically, the movement approaches the speed of light—186,000 miles a second. There just doesn't seem to be any faster method of doing the job.

That's why bankers can look for improvements in the future, but they need not fear the introduction of radical changes that will make present models obsolete. The improvements, of course, will be made in the areas where efficiency and speed are currently at the lowest levels. This is primarily in the conversion of original data (input) and in the printing and dissemination of the final results (output).

MOST discussions of electronic applications in banks wind up with some comment about "even including trust operations," as though they were last if not least. The National Commercial Bank and Trust Company of Albany, N. Y., brings a new twist to the story by making

its trust division the first major project for the Bendix G-15 computer.

Among the assignments it will carry out are: recording daily entries of income, principal, and investment transactions; calculating commissions; preparing remittances; and setting up income tax worksheets.

Incidentally, this is a service bureau operation. That is, the system will serve a number of businesses in the area with many diverse applications. The work of these firms will be processed along with that of the bank.

THE service bureau approach to electronics has been spreading not only geographically, but also in terms of the services performed. For example, Datamation, Inc., of Englewood, N. J., has offered a service to

banks which consists of electronic check sorting.

The cost of encoding checks is relatively small, but the equipment to sort them is generally priced beyond the range of the smaller banks. Now they can have their checks sorted daily by account and ledger codes without investing in the costly equipment.

THE Chase Manhattan Bank in New York has found its answer to the magnetic ink encoding of checks by going to Addressograph-Multigraph. Each customer has his name and account number embossed on an Addressograph plate. When he needs checks, the plate imprints the correct name and number on a master sheet which is run off on a Multilith offset duplicator.

The bank has found this to be a
(CONTINUED ON PAGE 240)

Chairman William A. Mayberry and President Arthur J. Fushman of the Manufacturers National Bank of Detroit display the pile of 57,000 checks that their new electronic sorter can process in one hour



*Electronic
Check Sorting
...at a sensible cost*

new Cummins

PERF-O-SORTER

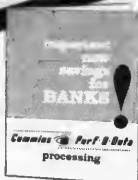
GREATEST EARNINGS PER DOLLAR INVESTED IN AUTOMATED CHECK PROCESSING

Here's the latest Cummins contribution to speed, efficiency...savings. Cuts bookkeeping operation by 25% with no change in present method of posting. Can also serve as combination sorter-reader—first sorts, then creates punched tape to actuate automatic accounting equipment. Makes automated check processing profitable for all but the smallest banks—helps the very large banks too by supplementing MICR equipment for more economical and efficient processing of deposit tickets, money orders, installment payments, club, and savings accounts. *Sorting Speed:* up to 550 per minute, even when checks are badly mutilated. *Cost:* less than *one-fourth* that of other sorters handling paper checks. Available through purchase, lease, or rental. Get full facts now on Perf-O-Sorter...the new way to save time and money with confidence.



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New 6-page bulletin describes modern Electronic Perf-O-Data Equipment that permits almost all banks to automate their own internal processing profitably while completely cooperating with the MICR program for inter-bank processing. Request on your letterhead.



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IN BUSINESS AND BANKS SINCE 1897

Cummins-Chicago Corporation
4740 North Ravenswood Avenue, Chicago 40, Illinois
Sales and Service in all Principal Cities

(CONTINUED FROM PAGE 238)

practical solution to the problem of filling a number of short-run printing jobs within rigid specifications. And, of course, the embossed plate eliminates the need for proofreading.

PLANNING to mechanize? Then the best advice is, "Get an early start." But you'll have to go some to beat the Bank of the Commonwealth in Detroit. It had a 25-year head start.

It was in 1936 that the bank began to assign account numbers. Later it extended the system to cover other documents. At about the same time it centralized all branch office book-keeping operations at the main office. With that much of the transitional job already done, the move to electronic banking this year was simple.



A good example was the switch to electronic check sorting as pictured here along with the old manual method. With all the accounts numbered and the customers trained in their use, about the only thing left to do was change to the E-13B type as specified by the A.B.A. for check encoding. President Howard P. Parrshall said right after the equipment was installed, "We expect to have the sorter in operation within a week." His estimate was that the bank had saved about a year by having developed such a workable system.

AN EXAMPLE of an "on-line" electronic system is the installation at The Howard Savings Institution in Newark, N. J. Its savings bank accounting system starts at the teller's window with a "Teller-Register" designed by the Teleregister Corporation. This device is linked directly

to the bank's magnetically recorded ledgers. It enables the tellers to receive immediate information about any account and to update the records instantaneously with each transaction.

The over-all system has been given the name "Telefile" and can perform both "on-line" and "off-line" functions. It was developed to perform in all areas of bank operations and to carry out the operations according to the bank's requirements rather than have the bank change its procedures to fit the equipment.

PRODUCERS are price-conscious, too. Among the manufacturers who are bringing electronic data processing within the reach of more bankers is the Datamatic Division of Minneapolis-Honeywell. The recently announced Honeywell 400 system to rent at \$8,660 a month may be the answer to some cost questions that are worrying bankers.

ANOTHER answer to the cost question is being supplied by Burroughs in its limited usage rental plan. This is of interest primarily to banks where the volume is not large enough to justify the installation of a 205 or a 220 system at the present time.

Under this arrangement a bank can acquire up to 88 hours of time on the 205 at 60% of the full rental, and up to 100 hours on the 220 at 70% of the rental. This marketing plan would seem to be especially

helpful to those banks that anticipate a growing transaction volume but do not currently have one big enough for a full-scale electronic system.

WITH leasing plans becoming more and more popular, it wasn't too surprising for Remington Rand to announce recently its long-term rental program including all products from typewriters to complete systems.

The normal term is from 39 to 65 months. However, special arrangements can be made for anything from a 2-year to a 10-year lease of the required equipment.

ONE of the problems in modern banking is the accurate transmission of data to tie together two or more high volume points. An official of Raytheon Corporation has pointed out that most digital transmission today is accomplished through systems that were devised for other purposes. To adapt these systems to banking's needs can mean sacrificing accuracy and speed.

One suggested solution is the use of microwave as a vital link. Before this can be done, however, it will be necessary for banks to be assigned a microwave band. Applications for such bands are numerous and there is a very real possibility that the banking industry may find the available space already assigned unless it acts promptly.

(CONTINUED ON PAGE 242)

East Meets West

Chairman William H. Moore of Bankers Trust Company, N.Y., operates abacus held by W. P. Livingston, the bank's methods research vice-president. The model on the table is of the IBM 7070 which the bank will soon be using



BANKING

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The new XeroX 914 Office Copier does not require expensive sensitized paper, or intermediate film negative, or liquid chemicals. It copies directly onto standard office paper (plain or colored), your own letterhead, or card stock. Up to six copies per minute!

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Copies everything—never misses a color! A letter, invoice, statement, contract—anything written, typed, printed, stamped or drawn can be copied on the new XeroX 914...even pages in a thick bound book. Copies all colors, even reds and blues, with sharp black-on-white fidelity.

Easiest of all office copiers to operate for multiple copies or just one. Simply place original document face down on the scanning glass, select the number of copies you want, and push "Print" button. Anyone can make perfect copies every time on the XeroX 914 Copier.

About 1¢ per copy for supplies. If you now spend \$50 to \$100 per month for copying supplies, you can't afford to be without the new XeroX 914 Copier. Supplies cost about 1¢ per copy, the machine is available without capital investment on a unique pay-as-you-use plan starting at \$95 a month.

For complete information about this remarkably fast, inexpensive method of copying, write HALOID XEROX INC., 9X-80 Haloid Street, Rochester 3, New York. Offices in principal U.S. and Canadian cities.
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(CONTINUED FROM PAGE 240)

AMONG the best known systems for rapid communication are the telephone and telegraph systems. One example of how they may be used to transmit data is illustrated in the accompanying photograph. With an IBM Data Transceiver, punched card data is being sent over regular telephone lines at toll call message rates and identical cards are being created at the other end. The equipment sends ten 80-column

cards a minute and can be used on telegraph circuits also.

Equipment is also available for the transmission of magnetic tape. Here, too, either telephone or telegraph lines may be used. Transmission is at the rate of 30 words a second, or roughly 15 times as fast as ordinary speech.

One advantage of such a communication system is that the user pays only for the actual time of transmission. This may hold some promise for smaller banks that might be in-

terested in finding a link to a distant processing service center.



AS PROOF that equipment manufacturers have not concentrated on electronics at the expense of other kinds of equipment, National Cash Register Company has announced a new machine for tellers. It combines the functions of a conventional teller's machine, an adding machine, and a coin dispenser, illustrated in the picture below.



It was designed to provide faster, more accurate service by the tellers. While accumulating as many as nine different classification totals, the machine also permits miscellaneous additions and subtractions and automatically figures and dispenses the change.

a
CREDIT
to your **Bank**

WELCOME ABA

PNI extends greetings to our numerous banker friends . . . and to those not yet familiar with our unique and effective services for the banking field. PNI has served the financial community since 1921 by providing:

Successful communication of the bank message.
Dynamic news photo posters which compel the public's attention.
A variety of handsome frames for any bank window or lobby.

Inquiries invited.

PICTORIAL NEWS INC.
343-7 WHITE PLAINS POST ROAD, EASTCHESTER, NEW YORK • WOODBINE 1-5119

Here it is! The highly successful radio program designed exclusively for banks

\$PEAKING OF MONEY

You've read about it . . . now investigate it—the five-minute program which is making radio history for its bank subscribers. "Speaking of Money" is also offered as a locally-edited newspaper column, at a sensibly low price.

For brochure, write or call

Storycraft Associates

1276 W. Third St., Cleveland 13, Ohio, PRospect 1-7572

PROTECTION against forgery is something all bankers seek. One form of built-in safety lies in the signature verification system being provided by LeFebure Corporation. While going under the name of Autho-Visor, it is sometimes called the scrambled signature system.

Essentially it consists of taking the customer's signature and photographing it in a scrambled pattern. This scrambled signature is then

(CONTINUED ON PAGE 244)

What it takes to make MICR tick



Most of the trick is in getting proper imprinting of the E-13B code.

To be "readable" to the electronic equipment, a sharp, well-defined image is necessary. Each symbol must have the proper ink density and accurate figuration, thus maintaining proper signal strength at all times.

For example, all the symbols below, except the last, could be *misread* by the electronic equipment.



Too little ink



Improper coverage resulting in excessive voids



Too much ink, image spread



Right amount of ink for proper coverage

To insure proper amount of ink, every A. B. Dick Offset Check Imprinter has the exclusive Aquamatic Control. This control meters the exact amount of fountain solution to

maintain the proper water and ink balance.

To insure proper ink coverage and density, each offset imprinter has a twelve-roller ink distribution system. These twelve rollers spread the ink evenly, and control the amount laid down.

The combination of these two features allows the operator to maintain the proper signal strength throughout the printing run.

fast, too

In less than three minutes, A. B. Dick offset equipment can imprint 200 checks, 40 deposit slips, plus re-order forms for each of six customers. All documents are not only personalized but encoded with E-13B MICR characters.

Collating of deposit slips, re-order forms, and checks is accomplished during this three minute running cycle.

Then the machine automatically resets itself for the next run to eliminate wasted time.

Since we have been instrumental in helping establish many MICR operations, we are thoroughly familiar with the requirements. If you or your

printer would like information on magnetic ink imprinting, please contact A. B. Dick Company, MICR Department, 5700 W. Touhy Ave., Chicago 48, Illinois. Or simply return the coupon below.

LATE NEWS!

The new color sound-slide film, "Language Of The Sixties," relating the latest developments in MICR, has just been released. To arrange a private showing for the interested people at your bank, simply mail the coupon below.

A. B. Dick Company, Dept. MICR-B-90
5700 W. Touhy Ave., Chicago 48, Illinois

Gentlemen:

Please see that I receive information on magnetic ink imprinting.

We would like to see the new MICR sound film, "Language Of The Sixties."

Name _____

Title _____

Bank _____

Address _____

City _____ Zone _____ State _____

 **A·B·DICK**[®]
OFFSET PRODUCTS

(CONTINUED FROM PAGE 242)



ABBOTT SORTER COUNTER

The finest sorter counter on the market today, not a re-styled machine, but completely new and completely tested. It requires only 15" x 13" of counter space.

FAST AND EFFICIENT—Counts and sorts over 400 coins a minute. Positive pickup, heavy duty motor.

EASY TO OPERATE—One control clears the registers and activates the machine.

EASY TO SERVICE—50% less counting mechanism parts, insures easy inspection and positive adjustment.



ABBOTT PAYER

This streamlined, economical payer, which sells at \$100.00 less than comparable units, is fully guaranteed, available with roll out chute bank or payroll attachments, and with right or left hand delivery. Available also as changer.

ABBOTT COIN COUNTER CO., INC.
Riverdale Ave., Greenwich, Connecticut
JEfferson 1-7900

placed in the passbook. Since it appears in an unintelligible form, there is little opportunity for anyone to duplicate it, or even to decipher the name.

A device at the teller's station optically unscrambles the signature on the passbook whenever it is necessary to make a verification. It is a simple matter to compare the unscrambled signature in the viewer with the one that has been submitted by the customer.

The same device can, of course, be used to encode confidential material making it illegible to anyone without the properly keyed viewer. Each bank will have its own coding pattern, so its scrambled signatures can't be read on the viewers of any other concern.

AN INTERESTING addition to this year's National Business Show at New York's Coliseum (October 24-28) is the Compu-Center. This will be a grouping of the electronic data processing equipment of a number of companies in one central location.

What many bank executives may find equally interesting will be the open conferences conducted by leading experts to complement the display. These sessions are being planned so executives can get information concerning their specific requirements from users as well as exhibitors.

IT'S beginning to look as though the magnetic ink encoding standards for check handling set up by the A.B.A. may become the pattern for checks throughout the world. Perhaps the biggest barrier to prompt acceptance by more nations is that element of reluctance sometimes called the NIH factor—Not Invented Here.

Already lined up behind the project are West Germany, Belgium, and The Netherlands. England is teetering close enough to a decision to prompt Lloyds Bank of London to install computers geared to the automatic handling of "cheques."

Attention in France is currently being directed toward the Bull System, a plan developed by the French

computer firm La Compagnie des Machines Bull. But a dozen other countries have indicated definite interest in the A.B.A. system. They include Australia, Austria, Argentina, Canada, Denmark, Italy, Japan, New Zealand, Norway, Sweden, Switzerland, and Union of South Africa.

LIKE to play with figures? Here are some cited by T. A. Smith, RCA's executive vice-president, at the dedication of the company's Washington data processing center recently. The center is designed to serve both business and Government in the nation's capital.

If you take a pile of invoices the size of the Washington Monument, each containing 10 items, the whole thing could be recorded on magnetic tape in 10-inch reels that would form a stack only six feet high. The Monument is 555 feet high.

As a clincher he went on to say, "The data in it could be processed by the 501 for cost distribution analysis in 5 hours and 23 minutes."

AMONG the newcomers in the computer field is Monroe with its Monrobot Mark XI which is fully housed in three units that fit together to form an L-shaped desk. It was designed to meet the needs of almost any size bank, which means the emphasis was on low cost and flexibility.



While a new name in computers, Monroe is no novice in the field of automation. In addition to many types of business and office machines, the company has been producing equipment for encoding original data on punched tape and punched cards. The new computer can fit into any punched card or punched tape system. It can also be adapted for use with the new magnetic ink character reading developments.

“A necessary banking tool...”



A. G. McNeese, Jr., President,
Bank of the Southwest,
Houston, Texas

“We have found Polk's Bank Directory to be a helpful, indeed a necessary, tool in the business of banking. The Directory is a valuable source of concise, easy-to-find information—one of the most useful and most used reference books in our building.”



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to give up a few hours a year for a health checkup?

Your best cancer insurance is a thorough checkup every year, and alertness to Cancer's 7 Danger Signals.

Learn how to guard yourself against cancer. Write to "Cancer" in care of your local post office, or call your nearest office of . . .

American Cancer Society

Electronic Arithmetic

THE BINARY SYSTEM

How does a computer add 2 and 2 to get 4? It doesn't. It adds 10 and 10 and gets 100. If that leaves you confused, you might enjoy this brief description of the number system that many electronic computers use.

A BINARY system is a numbering scheme based on only two different symbols instead of the 10 different symbols (0-9) to which we are accustomed. It is especially useful in computers where an electrical impulse can be used for one symbol and the absence of an impulse for the other. To represent more than two symbols electronically would call for a more complex wiring setup.

To see how a binary system works let's assume that the two symbols we'll use are 0 and 1, each having the same value as in our decimal system. Because of the danger of confusing these binary symbols with their decimal counterparts, we'll stick to the following rule: **All binary numbers will be expressed with symbols and all decimal numbers will be spelled out.**

We know that *zero* is expressed by 0, and *one* is expressed by 1. But how do we express *two*? The problem is the same as in the decimal system when you want to express a value that's *one* more than the largest digit, *nine*. The solution, of course, is to combine the symbols of lowest value into a two-digit number.

The same procedure applies to the binary system in expressing *two*, or 1 plus 1. Combine our two symbols, as we did under the decimal system, and you'll see that *two* is written as 10.

Remember, 10 is a binary expression; it's the way we express the value *two*. Don't try to call it *ten* or you'll get all mixed up. If you must call it something, try calling it "one-oh."

Now we're ready to set up the basic rules of addition with binary numbers. The first rule, which is fairly obvious, is that 0 plus 1 equals 1. The second rule, which we just worked out, is that 1 plus 1 equals 10. And that's all you have to remember.

From here on you can get the binary equivalent of any decimal number through simple addition. *Three* is the sum of *two* and *one*. In the binary system that becomes 10 plus 1, or 11. To get *four* you add 10 and 10, which comes out to be 100.

We can also get *four* by multiplying *two* and *two*. With binary symbols that means 10 times 10. Incidentally, multiplication is amazingly easy in a binary system since the only numbers involved are 0 and 1.

Here are some of our conventional numbers along with their binary equivalents. You can use these to make up a few simple problems of your own, and to check your answers.

one 1	six 110	eleven . . . 1011	sixteen . . . 10000
two 10	seven . . . 111	twelve . . . 1100	seventeen . . 10001
three . . . 11	eight . . . 1000	thirteen . . 1101	eighteen . . . 10010
four . . . 100	nine . . . 1001	fourteen . . 1110	nineteen . . . 10011
five . . . 101	ten . . . 1010	fifteen . . . 1111	twenty 10100

National 390

...a compact, multi-duty
Electronic Data Processing System



SYSTEMS MEN WILL BE INTERESTED IN THIS:

The 390 is the only electronic system today that provides all four of the following flexible methods of input and output:



1 MAGNETIC TAPE
LEDGER RECORDS



2 PUNCHED
PAPER TAPE



3 PUNCHED CARDS



4 VERSATILE
CONSOLE FACILITIES

...a complete E. D. P. system priced at **\$75,000**
—leased at **\$1,850** per month

390...an **"Electronic Statistician"**... electronically analyzes mountains of paperwork—efficiently and economically.

390...an **"Electronic Accountant"**... electronically maintains complete records that can be read by people and machines.

390...an **"Electronic Mathematician"**... electronically performs all types of business arithmetic and formula computations—at speeds measured in 1/1000 of a second.

390...an **"Electronic Filing System"**... electronically classifies and files data without the need for human decisions. Millions of digits can be stored on magnetic-tape ledger records, punched paper tape, and punched cards.

390...an **"Electronic Reporter"**... electronically digests volumes of business data and provides complete, timely reports.

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ADDING MACHINES • CASH REGISTERS
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Investigate This Pathway to Increase Savings... backed by 76 Years of System Service Experience

THE NATIONAL CASH REGISTER COMPANY, Dayton 9, Ohio

1039 OFFICES IN 121 COUNTRIES • 76 YEARS OF HELPING BUSINESS SAVE MONEY

Another step forward in helping business save money...

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ANNOUNCES

3 ELECTRONIC DATA PROCESSING CENTERS



To be opened September 1st on the ground floor of the new Getty Building, Madison Avenue at 61st St., New York, N. Y.



To be located at National's Home Office and Factory, Dayton 9, Ohio.



To be located at National's Electronic Research and Engineering Division, 1401 E. El Segundo Blvd., Los Angeles (Hawthorne) California.

First three in a nationwide network—New York, Dayton, Los Angeles. Around the clock, seven days a week, to provide overnight service. Whether your business is large or small... commercial or savings bank, department or other retail store, industrial, transportation, government, or any other type of business... *National is prepared to serve you all the way... from original entry to final report.*

How centers will operate: Information will be captured automatically, on punched paper tape or cards at your place of business, while using National Accounting Machines, Cash Registers, or Adding Machines in normal operation.

The punched tape or cards will then be forwarded to a National Data Processing Center where the accounting, statistical, and management reports will be electronically processed.

How you will benefit: National Data Processing Centers are the modern way... you record the original entry, National does the rest. Records and reports will be available to you faster... more economically... than ever before.

Growth of your business, or increases in volume of paperwork can be taken in stride... with minimum expense.

Your accounting department (and the need for processing equipment) can be held to a minimum, without sacrificing the quantity or quality of information made available to you.

Your accounting system will always be the most modern... as new electronic machines are made available you will be among the first to capitalize on their many advantages.

For unique banking services: National Centers will also be the first to be equipped with high-speed electronic check sorters and other automation equipment to provide economical processing services for banks and other lines of business.

*National** Electronic "304" saves time and money

- Reads paper tape at 108,000 characters a minute!
- Reads 2,000 punched cards a minute!
- Prints reports at speed equivalent to 290 typists!

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*National**

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ACCOUNTING MACHINES • NCR PAPER

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