AMERICAN BANKERS JOURNAL

The Invisible Flow of Money

Cover Story on Page V

Published in Two Sections—Section One

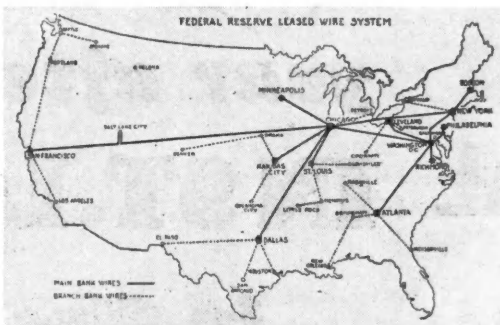
The Invisible Flow of Money

[THE JOURNAL COVER PICTURE: FROM A PAINTING BY WALTER DE MARIS]

THE lonely night scene on this month's cover is not quite the proper place for a million dollars to be traveling alone, is it?

For a million dollars in such a place, unattended by armed men, and plenty of them, must necessarily be tempting to banditry.

But notwithstanding the loneliness and the wildness, a million dollars or several million dollars may travel this road and many others like it far from settlements, with complete security and arrive at its destination without adventure.



Federal Reserve Leased Wire System, which includes line from Richmond to Charlotte, N. C., not shown above

For it goes via the telegraph lines which, though sometimes murmuring mysteriously in the winds, never tell their secrets, and never enter into collusion with thieves, as messengers have been known to do.

AMONG all the higher dramatics of a dramatic age, consider the marvel of the Gold Settlement Fund of the Federal Reserve System transferring ten billion dollars a month hither and yon across the country, free from the dangers of outlaws, removed from the losses incident to rail and truck transportation!

Through the establishment in 1915 of the Gold Settlement Fund of the Federal Reserve System the transfer of a million dollars from a bank in New York to a bank in San Francisco may be the work of a few moments, whereas if currency were actually shipped there would be many more operations, and costs—and, incidentally, the money would have no productivity while in transit. Though the highways be never so lonely, or the telegraph lines take short cuts through wild lands, there is no fear of interruption from the lawless, for even if he could, it would be worth no bandit's time to intercept money which is transferred in this form.

In his book dealing with the Federal Reserve System, W. Randolph Burgess says:

"The mechanism of wire transfers through the Reserve System is that the X bank in New York, for example, wishing to transfer $1,000,000 to the Y Bank in Chicago, advises the Federal Reserve Bank of New York. The following steps are taken:

"1. The New York Reserve Bank telegraphs the Chicago Reserve Bank and simultaneously debits the reserve account of the X bank $1,000,000.

"2. A few minutes later the Chicago Reserve Bank credits the reserve account of the Y bank $1,000,000 and notifies the bank, which may use the funds immediately.

"3. At the end of the day the New York and Chicago Reserve Banks report to the Reserve Board in Washington the total debits or credits resulting from their operations with each other and settlement is made by changes in the ownership of the Gold Settlement Fund."

The influence of the invisible flow of money which last year amounted to about ten billion dollars per month is one of the big factors making for national prosperity and the continuity of business and employment.

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AMERICAN BANKERS ASSOCIATION JOURNAL

The Banker's Interest in Oil

By CRAIG B. HAZLEWOOD

President, American Bankers Association, Vice-President, Union Trust Company, Chicago

Future of Petroleum Industry a Matter of Vital Importance. Lines Suggested Along Which May be Developed a Program for Stabilization and Steadily Maintained Profits with Maximum Service to the Public. Modern Merchandizing Methods Urged.

THE banker's interest in every industry is both direct and broadly economic. As the backer of most industries, he reduces his own risks and problems—enhances his own position and the profits of his stockholders—in proportion to the prosperity which the industry enjoys.

Petroleum is a very great industry—and by way of corollary, the banker's direct interest in it is very great. Petroleum is also an industry of tremendous economic significance to the nation and to the world, and because the roots of this business are so deeply and so broadly imbedded in all economic life, the banker, therefore, looks with great concern upon any unfavorable economic drift in the petroleum industry.

The petroleum industry in its origin is closely associated with the idea of sudden riches. To the public it is the modern symbol of sudden, unearned wealth. It is "liquid gold," effortlessly and endlessly gushing from the ground into the bank account. And from this very fact comes something of the industry's problem.

The Twin Giant

THE petroleum industry is the twin giant of the automobile industry. And out of this derivation again comes something of the problem; for it seems difficult even for those in the industry to recognize that the automobile is but one of many possible customers for petroleum products.

The petroleum industry by its nature occupies to some extent the middle ground between ordinary competitive commercial enterprises and what we commonly designate as a natural monopoly. President Coolidge has said that the public's interest in the petroleum industry is paramount. Private companies are sometimes inclined to forget that oil is a natural resource unknown in quantity, subject to depletion, and so far absolutely irreplaceable. The public is never allowed to forget this, and since oil has become so essential for national defense, for business operations, and for private convenience, slipshod and wasteful methods of operation at the expense of a natural resource have not contributed to the highest public respect and good feeling.

Striking a Balance

"IS it not possible that the petroleum industry through its cooperative activities, together with a reasonable degree of integration and consolidation, will be able to reduce the number of organizations among which cooperation must be maintained? And then, may it not even be possible to forecast the gasoline requirements in various cities and sections, so that production and consumption can be balanced, and finally, to discourage the duplication of oil station and tank wagon facilities."—Craig B. Hazlewood.

Overshot the Mark

MORE and more, however, the petroleum industry recognizes its responsible position. Great resourcefulness has been exercised by the industry at certain points in the intricate process of petroleum production to control waste, to increase the percentage of the more eagerly demanded products, such as gasoline. Enormous initiative has been displayed in the duplication of competitive marketing facilities.

The man on the street probably sums up the problem of the oil industry in the one word, "over-production." I am inclined to think that "over-activity" would be a more accurate term. As the inevitable result of individual competition for oil resources which represent the greatest individual profit if drained before neighboring owners and the taxing authorities take heavier toll, oil extraction has been handled at times in headlong and wasteful fashion. Within the past year, however, partially through the application of voluntary cooperation for the safeguarding of mutual interests and the apportioning of mutual sacrifices, arrangements have been roughed out which, under favorable conditions, promise in considerable degree the control of over-production.

Let us examine this question of over-production in the sane light of reason and with a little imagination. Here is an industry which went along in a fairly normal manner for many years. Suddenly the demand for its products increased in an overwhelming fashion because of the development of the internal-combustion engine and the automobile. The supply did not approximate the demand. Is it not natural that in such circumstances great sums of capital were attracted to this industry; great business leaders entered it; extensive prospecting was carried on; improvements were introduced throughout every branch of the industry; and, finally, in seeking in every possible manner to supply the demand, the mark was overshot and over-production was the result?

Mystery of the Future

THIS same phenomenon has occurred before in other industries and it will doubtless occur again. It has happened to wheat; it has happened to sugar; it has happened to cotton; it has happened to coal. There is scarcely an important commodity which has not at some time had to face this question of over-production. It seems very different to us now in the case of oil, but, possibly, that is because our vision is warped by the magnitude of the industry, the mystery concerning the future supply of oil, and the fact that the problem is a present one. When we are in the midst of the forest, the way out seems much more difficult.

It seems to me that the sensible thing to do is to face the problem squarely, noting what progress toward its solution has been accomplished in the past and what is being done at present, and what can be done in the future.

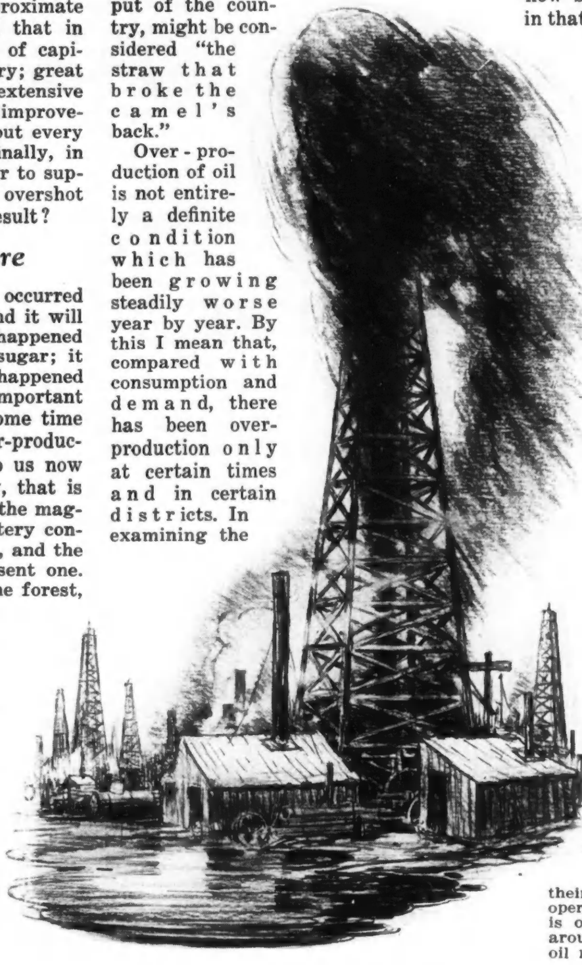
It is safe to say that no one is more interested in preventing over-production than the oil companies themselves, and it must be acknowledged that they have gone a long way toward limiting production.

A Hard Lesson

IF a banker may be permitted an opinion, however, the world is wide, human nature is diverse, temptation is great, and the final answer to over-production lies in the direction of positive control through a definite merging of business interests under such arrangements as present or future anti-trust legislation may permit in this country and abroad.

It has been proved in the petroleum industry as in the business of farming that an over-production of 10 per cent for example will depress the price of the total product by 15 or 20 per cent. This is a hard lesson and one which should be remembered by all operators.

To illustrate, although production in one field during 1927 was less than one-seventh of the total crude oil production for the country, and although it did not furnish enough oil to operate one-sixth of the country's refineries, it was, nevertheless, sufficient to reduce very materially the price of oil wherever produced, and it added 60,000,000 barrels to storage stocks east of the Rockies. In other words, the production of this one field, consisting of less than 14 per cent of the total output of the country, might be considered "the straw that broke the camel's back."



Over-production of oil is not entirely a definite condition which has been growing steadily worse year by year. By this I mean that, compared with consumption and demand, there has been over-production only at certain times and in certain districts. In examining the records of production, consumption and stocks on hand over the past ten years, I found that there was in fact little actual over-production. The greatest difficulty has been in potential over-production and occasional over-production, and it is to the solution of these problems that voluntary cooperation may be applied most effectively.

It must be recognized in dealing with this problem that the difficulty of over-production only begins at the oil well. While certain interesting and praiseworthy efforts have been made in the past year to control over-production through cooperation within the industry, authorities agree that it was the economic force of an unprofitable price level at the beginning of the year, rather than voluntary cooperation, that took away the spur to produce heavily and enabled consumption during the year to absorb the storage and balance demand with visible supply.

Economic forces have now swung in the opposite direction, and the urge to over-produce has broken out at a new point. The higher price for processed gasoline later in the year did not at first prove sufficient to arouse refiners into increasing production. However, it is now beginning to have a marked effect in that direction. It is possible, therefore, that one of the next problems before the industry will be an over-supply of refined products due to the higher efficiency of cracking processes and the more eager and up-to-date efforts of refiners.

Must Get Together

SO we come back again to the fact that cooperation or integration within the industry is required not merely to prevent over-production of crude oil, but also to prevent over-production of the refined products.

Over-production is thus the basic problem of all branches of the industry, and this problem must be solved. The equation must be reasonably established between production and consumption, and this must be done within the law, on a basis that is fair to the public.

In letters that I have received from some of the leaders in the industry, the imperative need for cooperation has been stressed far more than any other single factor in the solution of the problems of the industry.

The former chairman of the board of one of our great oil companies said in his letter:

> "By cooperation the industry in a year has lifted itself from losses to profits in many places. The losses were alarming and it was their alarming nature that caused the cooperative effort. Now that the pressure is off and the sheriff no longer lingers around the door, it will be natural for the oil men to lapse back into old methods."

"We must get together and cooperate," said the head of another oil company.

"The petroleum industry needs a better understanding and must realize the importance of voluntary cooperation," said one of my correspondents, the president of a great company in the Southwest.

Bankers Can Serve

THE president of a large Oklahoma producing company stressed the importance of voluntary cooperation for the purpose of reducing both economic and actual waste.

An outstanding executive in the petroleum industry has written to me as follows:

(*Continued on page* 686)

Shall We Change the Calendar?

By GEORGE E. ROBERTS
Vice-President, National City Bank of New York

Present Calendar Was Established by the Caesars. Business on a Different Basis than 2,000 Years Ago. Other Factors Constantly Changing to Conform to Modern Requirements, Why Not a Division of the Year More Convenient to Business?

IT may come as a surprise to many people that anybody should raise a question about the excellence or accuracy of the calendar. Has it not come down to us hallowed by memories and associations since the beginnings of time, and are not our birthdays and wedding days irretrievably involved in the present arrangement, under which "Thirty days hath September, April, June and November," etc.?

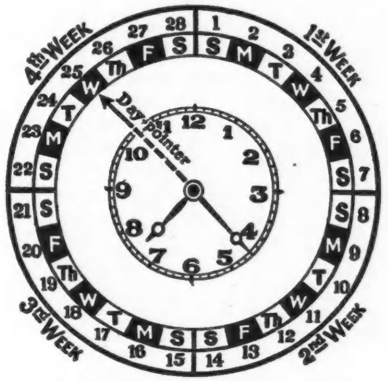
The fact is, however, that the calendar has been changed a number of times, the last time in the English-speaking world no longer ago than 1751-52, when the beginning of the calendar year was changed from March 25 to January 1, and for 1751 all of the time from January 1 to March 25 was dropped out of the calendar. Other changes occurred at the same time, bringing the calendar used by England and her colonies into harmony with the Gregorian calendar, which had been in use in Catholic countries since 1582. Incidentally George Washington's birthday was pushed back eleven days, from February 11 to February 22. No doubt there was considerable stir about it at the time, but everything has quieted down since, and the advantage of greater uniformity has been apparent. Since the Great War the countries in which the Greek church was dominant have adopted the western calendar.

The irregularities of the present calendar have been often commented upon, but nobody would favor a change unless it could be made among all of the important countries at once, and to bring this about has looked like a formidable undertaking. At last, however, widespread interest in the subject has been awakened. The League of Nations' organization at Geneva appointed a committee upon it, and in this manner it has been brought to the attention of the nations having membership in the League and also to the United States.

An Irrational Arrangement

THE irregularities of the calendar are due to the capricious arrangement of two of its units, the month and the week. The months are of unequal length and the weeks will not fit into them an equal number of times. Moreover, the days of the week shift every year to different dates of the month and the position of the weeks within the month drifts year by year so that sometimes a month may contain in addition to four complete weeks, fractional parts of two others.

It is altogether an irrational arrangement and in these modern days of scientific management, which questions every detail that does not make for efficiency and economy, realization of the calendar's defects has led business interests to promote a world-wide movement to adopt a better time-measuring instrument.



With a Calendar of 13 Equal Months Clocks Could Be Made Into Combined Time and Calendar Recorders

If public opinion in this country and in other countries favors the adoption of an improved calendar and this can be determined within the next few months, it is probable that before the end of next year an international conference for this purpose will be held.

The National Committee on Calendar Simplification, of which George Eastman of Rochester, is chairman, is now engaged in ascertaining public opinion on the question in this country for use of the United States government in connection with this contemplated conference. Similar procedure is being followed in other countries, for, of course, it will not be possible to establish a new calendar except by general agreement among the nations.

The advantages and disadvantages of two principles of calendar change are being submitted by the committee, one dividing the year into thirteen equal months of twenty-eight days each, the other equalizing the quarters of the year. They are explained in detail in circulars that are being sent out to organizations in different fields of national activity accompanied by requests under the signatures of special committees, for definite expressions of opinion.

The field of finance is being queried by a Special Committee consisting of the following: J. E. Bouden, Jr., president, Whitney-Central National Bank, New Orleans, La.; Walter S. Bucklin, president, Shawmut National Bank, Boston, Mass.; David S. Finley, Special Assistant-Secretary of the Treasury, Washington, D. C.; Harvey D. Gibson, president, New York Trust Company, New York, N. Y.; Otto H. Kahn, president, Kuhn, Loeb & Company, New York, N. Y.; Harold Kountze, chairman, Colorado National Bank, Denver, Colo.; F. M. Law, vice-president, National Bank of Houston, Houston, Tex.; F. L. Lipman, president, Wells Fargo Bank and Union Trust Company, San Francisco, Cal.; General H. M. Lord, director, United States Budget, Washington, D. C.; Thomas B. McAdams, executive manager, State-Planters Bank & Trust Company, Richmond, Va.; John R. Mitchell, chairman, Federal Reserve Bank of Minneapolis, Minneapolis, Minn.; John K. Ottley, president, Fourth National Bank, Atlanta, Ga.; George F. Rand, president, Buffalo Marine Bank & Trust Company, Buffalo, N. Y.; George E. Roberts, vice-president, The National City Bank of New York, New York, N. Y.; Henry M. Robinson, president, First National Bank, Los Angeles, Cal.; J. W. Spangler, president, Seattle National Bank, Seattle, Wash.; Paul M. Warburg, chairman, International Acceptance Bank, New York, N. Y.; Evans Woollen, president, Fletcher Savings & Trust Company, Indianapolis, Ind.

The 13-Months Plan

PERSONALLY, I am disposed to favor the thirteen-months' plan because it remedies the marked defects of the present calendar in thorough-going fashion, but the main proposal now is that of entering an international conference in which all plans will have due consideration, and experts will deal with the refinements of the subject.

The principal defects of the existing calendar are:

1. The months are of unequal length, varying from twenty-eight days to thirty-one days.

(*Continued on page* 714)

The Diary of a Bank Examiner

By ARTHUR B. MASON

Question and Answer Main Medium of Small Bank Examination. Cashier Carries Chief Burden. Directors Furnish Little Aid. Condition of Collateral Causes General Astonishment. Brook Trout Fingerlings Basis for Credit. Missing Liberty Bonds.

THE second day finds the examiner on hand early, as he knows how difficult it will be to make any great progress, once the bank opens for business, when the cashier will be called away from time to time on other matters.

After getting his bag out of the vault, he goes into the directors' room to get ready for the day's grind, and finds it occupied by two rather glum-looking individuals who seem to eye him with considerable suspicion if not downright unfriendliness. As he comes in these two edge out of the room, only to reappear a few moments later accompanied by the cashier, who introduces them as two of the directors who are to "sit in." The cashier goes out to unlock the vault in order that the day's work may begin, leaving the examiner to engage in conversation, two perfect strangers to him, who also seem to have preconceived ideas as to examiners that are not exactly complimentary, judging by their looks.

After an interval of about fifteen minutes, during which time the usual topics of weather, crops, etc., have been discussed with the two directors, the cashier makes his appearance stating that the other director, a local merchant, is a little late "but we might as well start as he will be here before long."

The Second Day

THIS is the second of a series of extracts from the pages of a diary of the trials and tribulations of a bank examiner. Last month Mr. Mason related the incidents of the examiner's arrival at the bank aad his efforts to clear the way for a good start on the second day. Here he reports slow going and what the examiner finds. He points no moral, but there is a sermon in the thoughts of the patient examiner who seldom can say what he thinks.

Supposed to Look Pleasant

A REQUEST on the part of the examiner for the financial statement seems to rather surprise the cashier but he goes out returning with the file which appears to be crammed to overflowing with an immense amount of material, so much indeed as to be rather appalling.

With these few preliminaries out of the way, the examiner takes up the discussion of the notes and all goes well until the note of Ezra Allen is reached. This being for $1,500 it seems to be a wise procedure to ask for Mr. Allen's statement.

For some reason or other a diligent search of the file does not serve to produce the desired statement, much to the surprise of the cashier, until he suddenly announces that he has brought out the transfer file instead of the current one. Business of carrying back the transfer file to the vault and bringing out the current file consumes more of the examiner's valuable time, during which he is supposed to look pleasant and continue to amuse the two directors.

First Signs of Life

MR. ALLEN'S statement can not be found.

"That is a strange thing," says the cashier, "I distinctly remember he was in here not so long ago and said something about a statement, and I thought he took one to fill out but it must have been another party. Yes! I remember now. It wasn't Allen after all, it was a Japanese gardener I had in mind."

The examiner asks as to financial condition of Allen, whereupon cashier reports, "Fine fellow Allen"! (appeals to directors to indorse his view but they do not appear to have entered into the spirit of the game as yet, and give a rather grudging assent to cashier's judgment.)

"But you want to know what Allen has, don't you? Well, he owns a small ranch about three miles out from town—" (Directors here show their first signs of life, and dispute the distance from town of Ezra's ranch; no decision reached and the cashier proceeds), "Well, anyhow, it contains about twenty acres, partly in orchard and he has a few head of stock on it. And I think this money went to purchase the stock and make a few improvements in the buildings."

The matter of acreage has a disturbing effect on the directors and a lengthy discussion arises as to the exact number of acres in the ranch. The examiner finds himself utterly unable to stop the discussion for some minutes and while it does not definitely fix the number of acres, it does bring out one interesting feature which is that the ranch does not belong to Allen but to his wife who, incidentally, has not signed the note.

Another Surprise

THE next commotion is caused by the note of Jasper Davis for $3,000. Jasper is apparently well fixed as he has secured this loan with a similar amount of Liberty Loan bonds. The examiner's request to see the collateral is another surprise to the cashier, but he nevertheless hastens to the vault emerging with two document files apparently filled to their capacity with all sorts of important looking and bulging envelopes. An intensive search that lasts for several minutes fails to locate Jasper's bonds and the cashier then brightly announces that he has brought out the old insurance policy and old escrow matters of the bank and returns the files to the vault, and this time returns with the proper file and a look of satisfaction.

Still unable to find the bonds, he looks carefully to make sure this is the correct file.

"Yes, darn funny," he says, "I had that out only the other day and I distinctly remember Jasper cut off some coupons."

Directors are of little assistance in this emergency beyond looking as if they would not be very much surprised if the bonds were missing, so the note teller is called upon for an explanation.

"Didn't Jasper Davis have any collateral for his note? Well, where in the name of all that's good is it?" the cashier demands.

After some discussion it finally develops that Jasper's bonds have never been taken out of the safe-keeping file where they are now found and produced.

No harm done beyond the waste of more valuable time.

Henry Had Poor Luck

A NOTE of Henry Fisher for $385.49 being of small amount would not have led to any great research had it not been for the fact that the date of the note showed it had been running for a long time and the almost total lack of any indorsements reveals the fact that it has received very little attention, from the maker, and is in fact long past due.

Replying to the inquiry of the examiner the cashier says that the note has been the source of worry to every examiner that has been there, and that there was a time when he, himself, doubted if it would ever be paid. But now while not a liquid asset by any means, it is in a fair way of eventually being paid but it will be slow, and proceeds to explain:

"Henry has had poor luck as a farmer.

"They seem to have preconceived ideas as to examiners that are not exactly complimentary"

He rented a very poor piece of land and this note is for money advanced him to put in his crops which proved a total loss. He had to give up his land and has now gone in partners with another man and they are raising mountain trout for the city markets."

A Hole in the Sieve

IT appears that this other party owned a little ranch that had a ravine on it which they dammed and stocked with trout, having had a standing offer from the hotels in the city to take all the trout they could furnish at seventy-five cents per pound. So far they had not sold any trout and the examiner fails to see how the line is bettered, but the cashier hastens to enlighten him by showing an unrecorded chattel mortgage on an undivided half interest in 25,000 head of brook trout fingerlings. Still the examiner is not convinced and asks why the mortgage was never recorded.

"We did not feel it necessary to put it on record," the cashier replies, "and, anyway, Henry knows he owes the money."

Much to the chagrin of cashier the note is classed a loss and examiner suggests the advisability of finding out just how the business is getting along. Report brought in during examination reveals the fact that all the trout have escaped through a hole in the sieve at the bottom of the dam.

At this point, it being well along in the day, the local merchant who is the other director, who is supposed to "sit in," puts in an appearance with apologies for being late but his business prevented. He is a different type of man from the other two and the examiner feels that he will be of more assistance in arriving at correct conclusions as to the credit of the bank's customers.

Appears to Be Overdrawn

THE usual line of the local automobile dealer makes its appearance under the name of Charles H. Green, whose line is perilously near the legal limit and is secured by chattel mortgages on new cars on the floor and a second mortgage on his business property. Mr. Green's statement shows a fairly good net worth which, on examination, is shown to exist almost entirely on his equity in his real estate and his stock of used cars. Under these conditions, and as there appears to be a generous line of rediscounted auto contracts of his in the pouch, several of which are past due, the examiner inquires if he keeps a compensating balance sufficient to warrant such an extension of credit.

"Oh, yes, indeed," the cashier hastens to explain. "That is one of our best accounts and whenever any of his contracts become delinquent it is understood that we charge them right back to him."

To support this statement the cashier refers to the account and returns rather crestfallen to report:

"Well, his account appears to be overdrawn right now about $2.52. Must be some mistake as Charlie is very particular. However, it will undoubtedly be covered today and, if not, he will sign another note to enable us to take care of those past due contracts."

This procedure seems much more satisfactory to the cashier than to the examiner, who feels and says that as far as he can see the bank is in the automobile business.

A New Clue

THE note of Albert Huggins for $3,586.75 next comes up for explanation. From all accounts Huggins is an exceptional character. In fact, "If all our notes were as good as his we would have little cause for worry."

A request to see Huggins' statement leads to an exhaustive search of the files under the letter "H," in the meantime cashier keeping up a running fire of talk extolling Huggins.

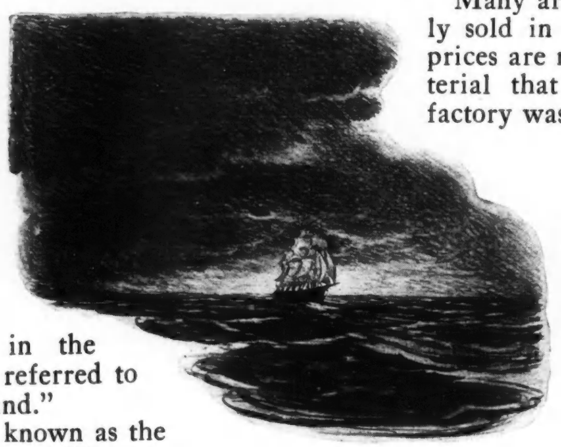
"He is the soul of honor and if he once makes a promise you can absolutely rely on its being kept if possible," he insists.

Three frantic searches having failed to bring to light the desired statement, cashier appeals to the note teller who sheds some light on the subject by stating that at the time of the last renewal, about eighteen months ago (if he remembers rightly) the bank had hoped to get the indorsement of Huggins' father-in-law, Smith, on the note but failed to do so owing to Smith's reluctancy in the matter. This gives a new clue and Smith's statement is located and statement of Huggins is found pinned to it. This proves to be over two years old and showed at that time a net worth of about $3,000 with total liabilities of about $5,000.

(*Continued on page* 718)

And That's All!

A NEWSPAPER recently carried an item seemingly in a *warning* way—that prosperity was only a state of mind, which statement is of curious interest now because only a little while ago—when there was not so much prosperity—the thought was going the rounds of the press, in an *encouraging* way, that prosperity was a state of mind, and that if we wanted prosperity we must think prosperity.



In some stage of its existence pretty much of everything in the world has been referred to as a "state of mind."

What is now known as the New World, the Western Hemisphere, was, at one time, considered by many persons to be a state of mind on the part of Christopher Columbus.

The independence of America was, for a time, a state of mind on the part of Thomas Paine.

The telegraph was a state of Morse's mind.

The telephone was a state of Bell's mind.

The first steamboat was a state of Robert Fulton's mind, popularly described in the speech of the times as "Fulton's folly."

The canal that gave to New York City its commercial supremacy was a state of mind, popularly called "Clinton's folly."

Every great piece of literature, every beautiful work of art was, in the beginning, a state of mind.

Such beliefs are like a powerful searchlight on a dark night, the beams of which dissolve the meaningless black and reveal actualities.

Many articles commonly sold in stores at good prices are made from material that formerly was factory waste—and would be factory waste still were it not for the circumstance that someone's mind made a true connection between the hitherto useless material and the utility of an article or an instrument fashioned from it.

EVEN now there is a lot of "black night" surrounding our civilization and, what does it conceal, is a pertinent question.

If the history of the ensuing hundred years is at all comparable with the history of the last hundred years there are many astonishing and astounding answers to that question.

Those who will give the answers are those who in clinging steadfastly to one little bit of light shining into their own intellects will—

Get themselves into such a state of mind that something new may be achieved!

By JAMES E. CLARK

Mass Prosperity

By JOSEPH S. McCOY
Government Actuary

Average Individual Income Shows Nearly Sixty Per Cent Gain. Three Thousand New Millionaires in Three Years Reported in Federal Tax Returns Which Disclose Prosperity Has Extended to All Classes. Lower Rates Bring Government More Revenue.

THE statement has been frequently made during the last few years that the United States has been very prosperous. This has been instanced by the enormous surplus revenue collected by the government, despite the tremendous reduction in taxes made by the revenue acts of 1921, 1924, 1926 and 1928. The great reduction in the outstanding public debt has also been thus instanced, as well as many other items pointing to the prosperity of the government. This, however, does not prove directly the prosperity of the individual, the units that make up the body politic.

The preliminary report of "Statistics of Income" for the calendar year 1927 was issued about the middle of November, last, by the Internal Revenue Bureau. The data contained therein, although as yet somewhat incomplete, fully proves the wonderfully increased prosperity of the individual for the year 1927, as compared with the similar returns for the year, 1924, only three years prior thereto.

The total number of individuals making returns of net income, according to the preliminary returns for 1924 was 7,298,481, while the similar returns for 1927 were 4,122,242, or 3,176,234 fewer returns. The cause of this large reduction was the increased exemptions carried in the 1926 revenue act. Those making these returns were not all taxable, because many of them had no taxable net income, their special exemptions exceeding their net incomes.

New Millionaires

UNSURPASSED prosperity for the individual population of the United States is found by Mr. McCoy in the facts brought out by analysis of the Federal income tax returns. The Treasury expert's study discloses not only an army of new millionaires but enormous increases in the incomes of taxpayers all along the line, reflecting a condition of wide distribution in the expanding wealth of the nation.

Much Larger Revenue

THE record shows that for 1924 there were returns made of taxable net income by 4,090,034 individuals, and for 1927 by only 2,458,859. The taxable net income returned for 1924 was $18,122,963,821. Of this amount, $9,577,741,427 was returned by individuals with incomes in excess of $5,000. The 1927 statistics indicate that $13,597,808,693 was returned by individuals with taxable incomes in excess of $5,000. Under the 1926 act, and not changed by the 1928 act, no married individual, or head of a family, having four dependents, pays any Federal income tax unless his income exceeds $5,100. He has $3,500 personal exemption and an additional $400 for each dependent, a total of $5,100. If his entire net income is derived from dividends, no tax accrues until a net income of $10,000 is exceeded.

The total tax returned for 1924, after deducting all tax credits, was $689,134,185, while for 1927 the similar returns amounted to $826,245,497 — a much larger revenue from a greatly reduced number of taxpayers, under greatly reduced tax rates. The number of taxpayers, 1924 to 1927, was reduced about 40 per cent, the tax returned was increased about 20 per cent, while the maximum tax rate on any part of the taxpayers' net income was reduced from 45 per cent for 1924, to 25 per cent for 1927, together with large increased personal exemptions, and the further extension of the 25 per cent tax credit for earned net income.

Increased Incomes

FOR 1924 the total tax returned by taxpayers with net income in excess of $10,000 was $637,187,864, while those with net income of less than $10,000 returned $86,622,983. The similar figures for 1927 are $815,468,785, and $42,041,449. In the face of lower tax rates, increased exemptions, and tax credits, these 1927 returns can only be explained by an increase in the number of taxpayers, which necessarily implies larger net incomes. An examination of these statistics will fully confirm this conclusion.

The number of taxpayers returning for 1924, with net incomes between $5,000 and $10,000, was 425,087, as compared with 502,873 for 1927, an increase of over 18 per cent. In addition to these taxpayers, for 1924, 8815 with net incomes within this range were exempted from all income tax by their specific exemptions, as compared with 40,636 for 1927, an increase due to increased exemptions alone. The returns for 1924 of taxable incomes between $10,000 and $50,000 numbered 235,172, as compared with 310,327 for 1927, an increase of about 32 per cent. This means that at least 75,155 individuals that in 1924 either made no return or returned net incomes of less than $10,000, by 1927 had increased their income to somewhere between $10,000 and $50,000.

The returns for 1924 of taxable incomes between $50,000 and $100,000 numbered 15,634, while for 1927 they had increased to 22,562, an increase of over 44 per cent. This can only mean that at least 6928 individuals whose net income for 1924 was less than $50,000 had increased their income for 1927 to somewhere between $50,000 and $100,000.

The returns for 1924 indicated that 5694 individuals returned net incomes of over $100,000 each, while for 1927 similar returns numbered 11,607, or an increase of over 103 per cent. This means that at least 5913 individuals who returned net incomes of less than $100,000 in 1924 had increased their income to something over $100,000.

More Millionaires

OF those returning income in excess of $100,000 for 1924, seventy-four returned incomes in excess of $1,000,000. The similar returns for 1927 numbered 283, an increase of over 282 per cent. This means that the preliminary Statistics of Income for 1927 indicates that 283 separate individuals returned net incomes after all exemptions and deduc-

(Continued on page 711)

The Orient Beckons the Dollar

By EMMETT HARRIS

New Field for American Surplus Funds Found In the Far East. China, Japan, India and Australia Offer Many Opportunities. Investments Can Be Coordinated With Sales by Manufacturers Which Require Financing. Orient Needs Longer Terms on Sales.

WHILE the United States has invested billions in Latin America, in Canada and in Europe in recent years, the total investments of this country in the Far East can be reckoned in millions. To be exact, we have invested to date about $1,000,000,000 in Far Eastern countries, including Australia, out of a total investment abroad at the end of 1927 of $14,500,000,000, or a little under 7 per cent of the whole.

The question naturally arises, therefore, why, with all of the latent resources in man power and material with which the Far East is supposed to be endowed, has American capital flowed to other regions? Why have American investors sought an outlet for their funds in Latin America, in Canada and in Europe, while the Far Eastern field has remained practically untouched?

Perhaps when a satisfactory answer to this question is found it will furnish a key to the more difficult question of this country's probable future course in the Far Eastern investment field.

First Class Risks

BANKERS are wont to divide the borrowing world from the investor's standpoint into three great categories. These are based on the sole factor of the safety of the capital sum and the reasons for the classification are readily discernible.

Into the class A category are placed all those investments where the borrower is primarily engaged in reloaning the capital. These are first class risks because the business of the borrower is built up largely on his reputation and he cannot afford to default. If he is in the business of borrowing money to reloan at a higher rate of interest, he must assume the risks himself and if the secondary borrowers default he must stand between them and a loss to the original investor. He is trading on his reputation and therefore constitutes the highest type of risk. Both governmental and corporate issues come within this category, although for obvious reasons the governmental issues are subject to other

The Bund, Shanghai

and more definite tests such as revenues, expenditures, and outstanding debt and comparatively few of them are reloaned directly, although many loans to governments do release funds for other purposes. As a rule, many of the American loans to Europe can be classed in this general category of class A risks.

Largely Speculative

THE second class of foreign loans include direct loans to governments and corporations for development purposes in areas where stability has been attained. Into this category may be grouped some of this country's loans to Europe and most of our loans to Latin America, to Canada, Australia and Japan. The funds are used either for well defined governmental activities or for definite corporate projects. The return of the principal depends entirely upon the stability of the government or the success of the undertaking.

The third class of foreign loans are largely speculative inasmuch as they are made either to governments which are unstable or to business enterprises in such areas as are still subject to all of the vagaries of unstable government, such as irregular taxation or confiscation.

In the Far East there are all three classes of risks. In the first group, for example, might be placed certain loans to the Dutch East Indies. The risk here is rated to be small because of the reputation of the borrower. In the second group are loans to Japanese and Australian governments and corporations which are earmarked for definite projects usually of a constructive nature, while in the third group may be placed loans to China.

Other areas, such as India, French Indo-China and British Malaya, have not entered the American market for loans in the past, their requirements being taken care of in Europe. Many loans to these areas, however, would be in the second group of risks and few could be classed as purely speculative. Loans to the Philippines are in a special category because of the political relations between the islands and the United States.

Such financing as the United States has done in the Dutch East Indies in the past could probably be termed interim financing, for ordinarily Dutch funds in Holland are available for all the general requirements both of the government and of corporations in the colony. There are times, however, when because of its oversupply of funds this country can bid for these gilt edge investments against the Dutch banks with success. This occurred recently when one of the strongest plantation and merchandising houses in the Dutch East Indies floated an issue in this market.

It is to Japan and Australia, however,

Public Utilities in Bombay

that most of the American Far East loans in recent years have gone. In 1923 American capital loaned $19,900,000 to the Oriental Development Company, which was used for development projects in Chosen and Manchuria and was guaranteed by the Japanese government. In 1924 this country loaned $125,000,000 to the Japanese government, only about $60,000,000 of which, however, was new capital, the balance being a refunding operation. This money went mainly for earthquake relief, the rebuilding of government buildings, and the rehabilitation of transportation and communications. In 1926 the city of Yokohama floated a $19,740,000 loan in the American market for similar purposes, while in 1927 the city of Tokyo floated a $20,640,000 loan at 5½ per cent here.

Japanese corporate loans have been equally extensive. In 1923 the Industrial Bank of Japan borrowed $22,000,000 from American bankers in order to release frozen funds of that institution which had been loaned to China in 1917 and had gone into default. While this was a private loan it was guaranteed by the Japanese government. In the same year the Daido (Great Consolidated) Electric Company borrowed $15,000,000 in the American market for the purpose of extending its hydro-electric projects in the great industrial areas of central Japan. This loan was sold at 91½ and carried 7 per cent, so that the yield was 7.85 per cent. It was in 1925, however, that most of the important hydro-electric financing took place in Japan. In that year the Toho Electric Power Company floated $15,000,000 here, yielding 7.80 per cent; the Ujigawa Electric Power Company $14,000,000, yielding 7.90 per cent; the Daido, an additional loan of $13,500,000, yielding 7.75 per cent, and the Tokyo Electric Company $24,000,000, which yielded 6.40 per cent. These were followed in 1926 by a $2,000,000 issue for the Imperial Electric Light Company, yielding 7.50 per cent and a new loan to the Toho for $10,000,000 which netted 6.55 per cent.

These hydro-electric loans were, many of them, important to Japanese-American trade because they carried with them sales of American electric generating equipment and as they kept pace with and facilitated the industrialization of Japan, they can be termed productive in the highest sense. Such loans, moreover, are considered exceptionally sound because they are made to going concerns engaged in rendering a very necessary and lucrative service to a densely populated area.

American ventures in the Australian field, while not so extensive, have been equally sound and constructive. The 1925 loan to the commonwealth of $75,000,000, while yielding only 5.03 per cent, was our introductory effort in a field which had heretofore been considered a British preserve. This was followed in 1927 by four loans of considerable importance. A $40,000,000 issue to the commonwealth, followed by two issues of $25,000,000 each to New South Wales and a $7,500,000 loan to the city of Brisbane, made this market for the first time a real factor in the Australian financial world.

All of these issues have been fairly successful so far. Some of them, particularly the Japanese issues, have been depressed by the recent bank panic, but there has been no defaulting and most of them have all the elements of sound and relatively high yielding investments.

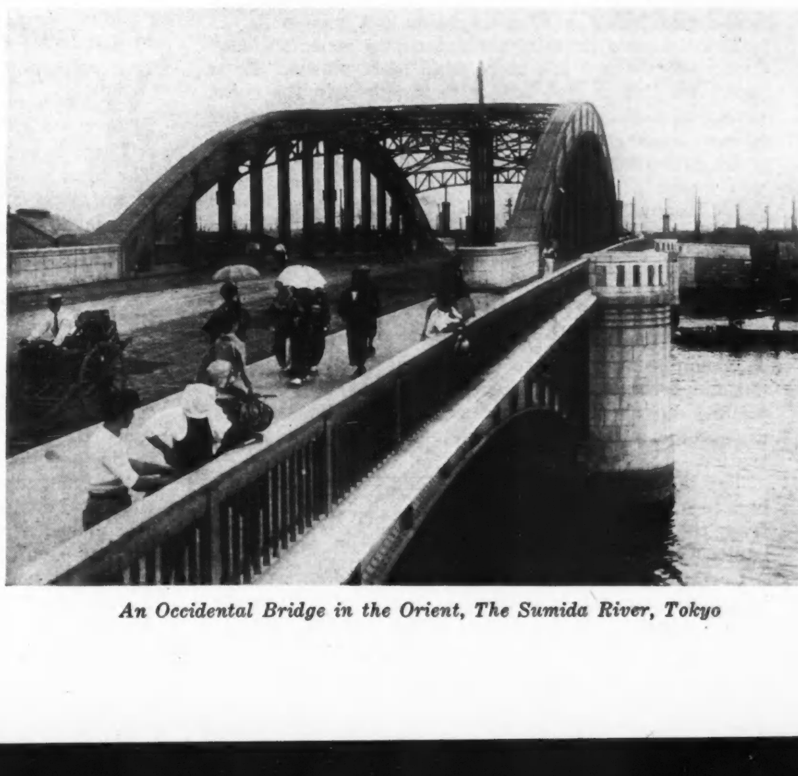
It will be noticed that American ventures in the third category of speculative Oriental fields have not been conspicuous. This country has been investing nothing in China in late years, but for that matter neither has anyone else, with the exception of the Belgian Dutch Syndicate, which built the Lung Hai railway extension to the coast, and the more recent extensions in Manchuria financed by the South Manchurian Railway.

Opportunities for Loans

THIS brings us to the future and the part which American capital may be expected to play in the development which is bound to come, especially in the great fields for speculative financing in China and other areas. If it is assumed that sooner or later political conditions in these territories will become stabilized, then how far is the American investor prepared to go in financing the many opportunities which may present themselves?

In the first place, the almost insurmountable difficulties inherent in protecting any investments in the interior of China will probably make a broad forward policy in that area almost impossible for many years to come. If, therefore, this country is to participate in the developments which may take

(*Continued on page* 713)



An Occidental Bridge in the Orient, The Sumida River, Tokyo

EDITORIAL

What Will We Do With It?

IT is a glorious thing to contemplate—a New Year for all of us—a great credit in the bank of life, but with infinite wisdom not given us in a lump to waste and dissipate, like the unwise, ignorant man or women suddenly coming into a great fortune—but dealt out to us, in small portions, smaller even than day-by-day —minute-by-minute!

The wisest, most profound man in the universe can get no more of the year at one time than the poorest boy. He has his credit, so to speak, but though he may borrow money on his note in an astonishingly large sum he cannot circumvent the laws of the universe so as to get even an hour of time before it falls due.

Of all the trusts, living or dead, here is the most perfect trust in all creation, rising above man-made laws, needing no reviews nor legal interpretations as to the construction of this paragraph or of any word here or there.

What will we do with the credit?

Whether we shall be able to receive it all or only a little of it depends in some degree upon how we use it as it comes. Misuse of time makes for disasters. Wise, industrious, well-balanced use of the credit of life—as in banking—makes for the extension of more credit.

Each must by his secret thought, no less than by his visible action, answer the question. If he answers not at all, even that blindness constitutes a fatal reply to the eternal question, "What will we do with it?"

The great body of JOURNAL readers will, we know, use this credit as they have never before used a credit. They will make it count for more in right thinking, in well-aimed industry, in cooperation and good will.

The Season's Greetings which as we write we hear flying everywhere are more than mere words. Even they, familiar as they are, give impulses in the right direction, and in all of our civilization there is no finer of our small customs than that through which each individual gives to others the impulsive spark of good will expressed in the words,

"A Happy New Year to You!"

A Guaranty Law Works Out

IN his report to the Governor, Roy Bone, Bank Commissioner of Kansas, discusses "the final liquidation of the guaranty fund which has been accomplished during the last two years," and discusses an unexpected situation which developed in its administration.

The law required that failed banks whose deposits had been guaranteed under the law, should be paid from the guaranty fund in the order in which these banks were liquidated.

Certain state banks were in due course so certified but there was not a sufficient sum in the guaranty fund to make the payments in the sums that they were entitled to under the provision of the law. The question of priority was then raised and was taken to court to determine when a failed bank could be considered as fully liquidated.

After a series of hearings a commissioner appointed by the Supreme Court determined the order in which the banks on the list had been certified as liquidated. The Bank Commissioner was instructed to convert all of the securities in the guaranty fund into cash and pay the banks in full in the order in which they were certified excepting, however, in the case of the last two banks on the list.

These two had been certified as having been liquidated on the same day and it was ordered that they be paid pro rata from the remaining funds.

Thus the guaranty fund has been distributed but the end is not yet. "There are," says Commissioner Bone, "a great many guaranteed banks in liquidation which did not participate in this distribution, and will in my judgment never be paid. There are at the present thirty-nine guaranteed banks paying their assessments regularly. They are for the most part small banks and the amount received will not begin to pay the interest on the outstanding certificates."

The disappointment that will attend a guaranty of deposits law wherever it may be enacted, is accepted as a foregone conclusion but the plan when presented to the public is so fascinating nevertheless that the lesson should be kept before the public, against the coming of the day when some ambitious politician again brings up the plan and proposes to have it enacted into law.

What Will Be the Effect of Brokers' Loans?

WHEN wages are extraordinarily high, money, like men, will turn from old occupations to benefit by the high wage.

There is abundant proof of this in the stock market. The high totals of brokers' loans for use in the street is no more commanding in interest than the source of a large proportion of these loans.

Taking cognizance of the parentage of these loans the Federal Reserve Bulletin for December restates an assertion frequently made in the last year which, in effect, is that corporations, outside of banking, were sending their funds to the market for profitable employment.

"During the period of low money rates from 1922 to 1927," the Federal Reserve Board's bulletin says, "securities were floated by corporations in exceptionally large volume and the proceeds of these flotations not only strengthened the cash position of the corporations and enabled them to reduce their bank loans, but also placed at their disposal funds in excess of their current requirements.

"The high money rates prevailing in recent months on loans in the security markets have attracted large amounts of these surplus funds, with the consequence that loans to brokers for the account of non-bank customers increased very rapidly during the last quarter.

"One of the effects of this transfer of lending from banks to corporations has been a decline in bank deposits, as the depositors have drawn on their balances to provide funds for the loans. The decline in deposits in turn has been a factor in diminishing reserve requirements of member banks. Loans to brokers by corporations, therefore, have had the incidental effect of supplying credit for the use of the stock market, while at the same time releasing member bank reserves."

Trends always are interesting and important, for no man can accurately forecast the final effect of a trend. A trend may be only a temporary phase which will disappear, or it may be the beginning of a radical condition in business. "There exist in nature," says a historian, "no germs so hidden as the infinitely small causes of human events."

In all probability a lot of time must elapse before there can be accurate appraisal of the influences and reactions of this incursion of corporation money into the stock market. Will it, in the long run, strengthen and intensify in the pursuit of the primary objectives of their own particular businesses those corporations which are lending for speculative purposes? Or, will it in the long run tend to reduce efficiency in those things which they were established to accomplish?

Is it possible that a commercial or industrial concern, having found that it can do well loaning money as a side line, so lower its guard and its commercial vigilance that a watchful competitor may win its market away?

Building and loan associations, finance companies, investment trusts each are lessening banking's opportunities. While all of the business of these concerns is not wanted by banks, and much of it is not in the nature of banking or trust company propositions, there has nevertheless been complaint against the methods of operations of companies under the first and the last class.

Bankers have complained that in some places building and loan associations are conducting what actually is a banking business, though free from the rigorous limitations and requirements of chartered banks. Trust companies have pointed out that the public is being misled by the use of the word "trust" in the case of companies conducting an investment trust business.

Does the present profitable experience of corporations loaning money to brokers open the way for the rise and the development of still another class of financial company which, as it develops, will also find ways of encroaching upon the field of banking?

No Postal Savings Legislation

POSTMASTER GENERAL NEW apparently has called a halt to the sporadic efforts of the Post Office Department to obtain legislation from Congress authorizing the Postal Savings System to encroach upon the field of savings banking.

In his annual report to Congress as Chairman of the Board of Trustees of the Postal Savings System, Mr. New makes a frank statement of policy, saying:

"I want to say unreservedly and without equivocation that it is not my purpose, now or hereafter, to recommend any legislation that is a departure from the basic principle of Postal Savings in this country—that it must not be in competition with established banking institutions."

Such a stand by the Postmaster General should bring to an end the series of proposals that have been made in Congress in the past few years to broaden the field of Postal Savings activity. There has been the proposal that the rate on Postal Savings should be increased. More recently it has been suggested that the maximum amount permitted per depositor should be increased and that the Postal Savings System should be permitted to accept joint accounts. Various and sundry have been the proposals for further Postal Savings legislation, all seeking the same end—the aggrandizement of the system.

Now the Post Office Department has seen a great light. Mr. New evidently realizes that with banking forced to meet steadily increasing competition of different forms it is no time to enhance the competitive strength of the Postal Savings System, nor to put the government deeper into business.

Like Charity

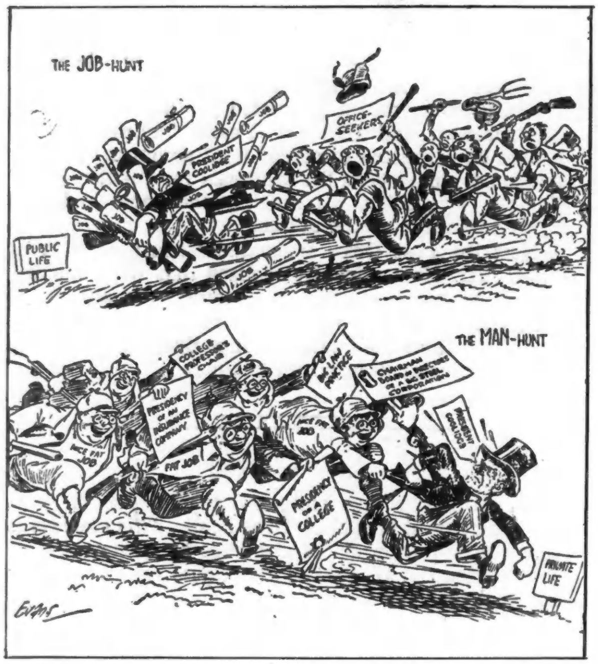
LEGISLATION has one very definite similarity to charity—it should begin at home. This likeness is called to the attention of Congress by Comptroller of the Currency J. W. Pole in his annual report in which he strongly opposes as harmful and unnecessary the proposed amendments to Section 5219 of the Revised Statues relating to the taxation of national banks by states.

The position taken by the Comptroller is directly in line with the views of the American Bankers Association, as expressed in a resolution adopted at the Houston convention in 1927. There it was pointed out that there was no need for Congress to act. The existing law offers alternative methods for taxing national banks. Some states are taking advantage of the alternatives offered. Others have amended their constitutions to permit them to do so. This is the point stressed by the Comptroller, who says:

> "In providing for tax classification very few states have tied the hands of their legislatures respecting bank taxation. It is for them to take the steps necessary to keep their systems in harmony with existing statutes rather than that the law should be amended, as it would be by the passage of any of the bills now pending, to permit the classification of banks as tax targets without any practical limitation upon the burdens then to be imposed.
>
> "In this connection the California Legislature has already passed an amendment to the constitution of the state providing for a different method of taxation and it has been adopted by the people of California. Massachusetts, New York, and Wisconsin have taken advantage of the amendments of 1923 and 1926, the first two by levying upon banks an excise tax measured by all their net income and Wisconsin by employing the same income tax that it levies on other corporations. What they have done, other states may do. Certainly the problem should be dealt with by the states themselves in enacting new tax laws rather than asking Congress to give up the protection that has existed for sixty-four years to the national banking system, to the Federal Reserve System, and to the state banking systems."

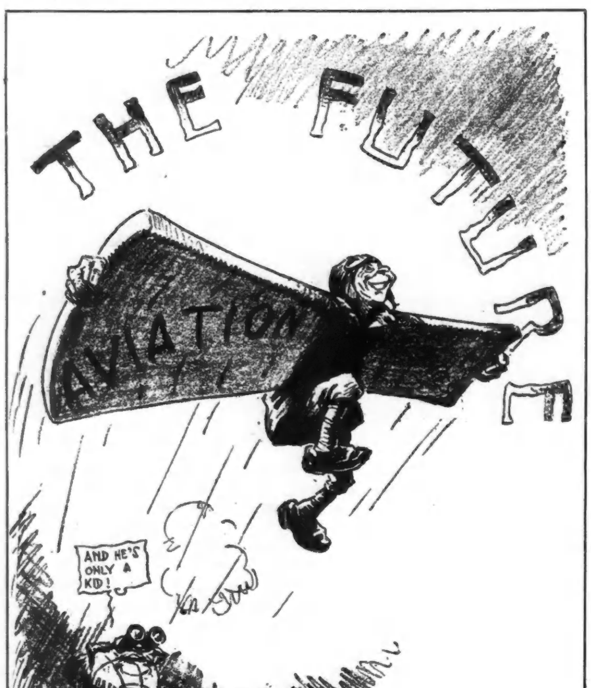
The firm stand taken by the Comptroller can not fail to make an impression upon Congress. With the chief officer of the national banking system in the first line of defense there should be no disposition in Congress to attempt to jam through amendments to Section 5219 during the hurry and confusion of a short session.

As Cartoonists View Events of the Day



Perpetual Open Season on the President.—Evans in the Columbus Dispatch.

At the Bottom of It.—Page in the Louisville Courier-Journal.



With the Sky as the Limit.—Sykes in the N. Y. Evening Post.

From One Flyer to Another.—Sykes in the N. Y. Evening Post.

Investing Trust Funds

By KINGSLEY KUNHARDT
Investment Trust Officer, Guaranty Trust Company of New York

Tested Methods of Reviewing Fiduciary Securities Outlined. Systems Which Serve to Check Each Other. Buying and Selling Problems. Committee of Directors As a Court of Last Resort for Investment Policies. Records Are Requisite for All Trusts.

IT is evident that the men who are to review trust fund securities must know what securities each account owns. In the smaller institutions reference can be made to the ledgers, but this soon becomes impractical. One large eastern bank keeps its original records in a way that permits them to be photostated whenever a review is to be made.

Our own method is to keep rather full records on each account for the sole use of the trust investment department. These records or investment sheets, in addition to showing the securities, the par value of bonds and number of shares of stock, and the inventory or ledger value of each issue, set forth other items which are of importance to the investment man. They show whether or not premiums on bonds purchased above par are to be amortized, under what conditions the trust terminates and who are interested in the account. The sheets are large enough to provide space for jotting down current markets and pertinent notes as, for example, that the co-trustee had disapproved sale of a particular issue on a certain date at a certain price.

On the reverse side are the investment provisions and a history of the account insofar as the securities are concerned. The investment provisions should not be shown as a mere copy of a paragraph or two from the will or trust indenture, but whenever possible as a brief, clear interpretation of these paragraphs prepared by a competent lawyer or administrative officer. This latter is very important.

Best to Review

I ONCE took over the investment problems of about $30,000,000 of trusts which had been handled by a highly competent investment man who has since made a splendid name for himself. Unfortunately, I found that between 5 and 10 per cent of the securities did not comply with the investment provisions of the accounts. This condition was apparently due to incorrect interpretation of legal phraseology, for which he could hardly be blamed. Even a lawyer's interpretation of apparently simple clauses may change in the light of subsequent legislative acts or judicial decisions, so that it is best to have the provisions which govern the investment work reviewed occasionally.

Eternal Vigilance

THIS is the second of a series of articles by an expert in the science of trust fund investments. It describes methods of departmental operation designed to keep all the securities in trusts and estates under such constant review as will insure prompt detection and early consideration of any developments affecting them. Mr. Kunhardt points out that the small trust department today is the large one tomorrow, hence the method of operation should accommodate growth.

As a general rule it requires from six to nine months to teach an experienced security man the whys and wherefores of the data on the investment sheets and how to use them, but perhaps some of the outstanding reasons for the individual items can be outlined. The amount of each security held is needed, among other things, to show the diversification of the investments. Inventories are necessary in estimating the profit or loss in a proposed sale and the resulting income tax. Whether premiums are to be amortized is an important item in considering the yield on bonds which cost more than par, and, of course, if they are not to be amortized you don't want to buy short-term bonds selling at a high premium. The termination conditions are particularly important if the trust is to terminate on a certain fixed date, for at that time a liquid account will be desired.

History Helps

AS was pointed out in the preceding article of this series, I think it best for the investment men to deal directly with co-trustees or other interested parties on all matters relating to investments. It is, therefore, necessary for them to know who are interested in each account, and as much about them and their views as is possible. The necessity of having investment provisions is self-evident. The history of the security changes helps the investment man to avoid such things as duplicating recommendations within a short time after they have been disapproved, or selling securities without fully considering any special reason for which they may have been purchased.

The small trust department will not need all these records, for the investment man who is handling only a few accounts will remember most of the details and can easily look up any particular points of which he is not certain. However, the bank that is handling a few hundred accounts today may easily have several thousand in the rather near future.

In addition to the records showing the securities in each account, there should be available a record of each individual security, showing in which trusts or estates it is held. In all probability the administrative department will require some such record in order to arrange for cutting coupons or collecting dividends, checking called bonds and presenting issues for redemption. It should be simple to design these records so as to serve the purposes of the investment department as well. All that is desired on the sheet or card covering each issue is a list of the trusts and estates interested, the par value or number of shares held in each account, inventories, and notes or symbols to indicate whether investments in the accounts are subject to the sole responsibility of the trust company or whether someone must be consulted. It is also of assistance if a space is left for notes.

A *Dependable Check*

WITH these two sets of records it is possible to use two distinct methods of reviewing the fiduciary securities that will serve to check each other.

The first is to review each account and the securities that it holds. These reviews should be made frequently, by specialists who know investment values and are familiar with the individual trusts and estates. Such reviews take into consideration not only investment

FOR THE COMMITTEE ON TRUST MATTERS

JOHN DOE STEEL COMPANY

We are holding John Doe Steel Company Convertible 5s, due 1936 in the following accounts which are placed before the Committee for its consideration and instructions.

Total Par Value Held	Approx. Market
$267,000	99½

Sole Responsibility	Par Value	Inventory
AT 1090 C.H. Lee	$10,000	89
AT 1527 A.R. Jewett	2,000	96
AV 1630 J. M. Klenck	54,000	90½
AV 1710 J.E. Hollingsworth (Mr. Hollingsworth is a large stockholder)	76,000	94
Consult as a Matter of Courtesy		
5 AV 279 M.R. Drayton	10,000	99
Necessary to Consult Co-trustees, etc.		
AV 1122 P.J. Urban (Mr. Urban disapproved sale of part at 96)	100,000	90
AT 1467 W.F. Dater	10,000	96½
Act by Direction		
AV 1259 H. Lobo	5,000	91½

Committee memorandum to consider a security held in several accounts

matters, but the personal needs and wishes of those interested in the accounts; thus income payments can be arranged at convenient periods, tax features considered, and, in fact, the same attention given as though an expert friend of those interested in the account were looking after it.

As a check upon this form of review, a statistician or statistical department should continually and periodically review the issues listed in the security record. Annual and interim reports are analyzed as soon as possible after issue, and any trend for the better or worse is promptly noticed. It is surprising how dependable a check of this sort may become. The speculative security causes little worry, at least so far as its being overlooked, for everyone is alive to its danger, but it is the supposedly high grade issue failing to live up to its reputation that causes the trustee trouble, and the safest way of catching that is through continual statistical reviews. Even in the recent bull market most investment men have had anxious moments over companies in certain industries whose position was impregnable once, and may become so again.

Committee of Directors

ALMOST all successful corporate trustees use, in one form or other, the double method of review, frequently stressing one method more than the other. Some have a special statistical organization, while others use that of their bond department, or of the credit or banking department. One successful bank had, not so long ago, developed the statistical review to such a point that the review by account had become almost negligible; another equally successful bank had stressed the account review and had employed such excellent men to do this work that the statistical reports were more or less a routine matter. Both banks, however, have apparently found disadvantages in their methods, for today they give about equal importance to each method.

Either form of review may bring to light a situation more or less important, making a change in the holdings advisable, but who is to decide what action should be taken, and what is frequently more important, when? It is just here that banks experienced in this line of work differ radically. Some that are blessed with a directorate including men versed in securities, form a "committee of directors" and submit all their problems to this committee; we go one step further and periodically submit each account in its entirety for review by our committee. Other institutions have a committee of their officers decide such questions, and one has a complicated system of committees and sub-committees. Which general method is adopted will depend upon the material on hand, but undoubtedly some sort of a committee should be formed as a court of last resort and as an assurance to customers of the bank that their securities will not be subject to the investment preferences of any one man.

Two Questions

IF possible, this committee should meet frequently, at least once a week. Their most important duties will be to establish investment policies, consider the affairs of companies in which the accounts are interested, and pass on definite changes suggested in individual accounts. All of these problems should be submitted in the form of specific recommendations or questions by the investment man or department.

Just as there are two methods of review, two types of recommendations or questions will emanate from the investment organization. The least common, but by far the most important, is the one that comes up when the statistical review brings to light an unsatisfactory situation in a company whose securities are owned by various trusts and estates. If the conditions are such as to cause the immediate sale of the securities influenced, the problem of the investment department is very simple, but in the great majority of cases if the organization is efficient the first indications of trouble will be noticed and at that point the question is by no means a cut and dried one.

For instance, one of the middle western railroads turned in some very unfavorable reports in the spring of 1925 which proved in the long run to reflect only a temporary condition; a southern road turned in similar statements the following year which marked the beginning of a long decline in earnings and bond prices. On each of those occasions trustees faced the double problem of deciding the advisability of selling or retaining their holdings, and of getting their records in such shape as to show clearly at any future date the reasons for their decision, if it should ever be questioned.

It should be remembered that any amateur's hindsight is better than an expert's foresight, and on every occasion when the bank does not buy at the bottom and sell at the very top, someone

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AV 1650 FOR THE COMMITTEE ON TRUST MATTERS

Guaranty Trust Company of New York and Raymond J. Lewis, Trustees under an agreement dated November 15, 1926 for the benefit of Walter F. Dater.

(SALE - PURCHASE - RETENTION) .... (WE AMORTIZE)

In the matter of investment the trustees are not restricted to legal securities.

The following securities have recently been added to the trust. It is suggested that they be sold in order to increase Mr. Dater's income, provided we obtain the approval of Raymond J. Lewis, our co-trustee. (Mr. Dater is not subject to high surtaxes.)

Sell: Par Value		Inventory	Approx. Market	Approx. Value	Annual Income
$10.000	City of Dash 3¾s due 1957	97½	97¼	$9,725.	$375.
12,000	State of Blank 4s, due 1964	100½	100	12,000.	480.
				$21,725.	$855.
Purchase:					
$10.000	Edison Company Debenture 5s, due 1933		99½	$9,950.	$500.
10.000	Electric Power 1st 5s, due 1941		100	10,000.	500.
Abt. 70 shares	Public Service 5½% Preferred (par $25)		24¾	1.732.	96.
				$21,682.	$1096.

The following securities comprising the balance of this trust appear for regular review. It is suggested that no further changes be made for the present:

Par Value	Original Securities	Inventory	Approx. Market
$10,000	John Doe Steel Company 5s, due 1936	96½	99½
10,000	Northern Railway Dev. & Gen. 6s, due 1956	112	114½
10,000	Western Railway General 5s, due Jan. 1, 1930	100 3/8	99 5/8
10,000	Chicago Electric Power Co. 5½s due 1972	102	105½
Shares			
500	R.J. Lewis Trading Corporation Capital Stock (11/20/26 - Mr. Lewis requested retention)	137	Inactive
50	Southern Tobacco 8% Preferred Stock	110	119½
50	Northern Smelting & Refining 7% Preferred Stock	118	138
Reinvestments			
100	New York & Greenwich 5% Guaranteed Stock (11/20/26 - Mr. Lewis requested retention)	97	104

Committee memorandum for consideration of an individual account

Setting Up a Prosperity Reserve

By GEORGE E. ANDERSON

President-Elect Herbert Hoover's Recent Proposal Analyzed. Regarded as Practical But Thought Possible Only as Gradual Development. Federal, State and Municipal Governments Must Work Together. Financial Aspects of Program Concern Banks.

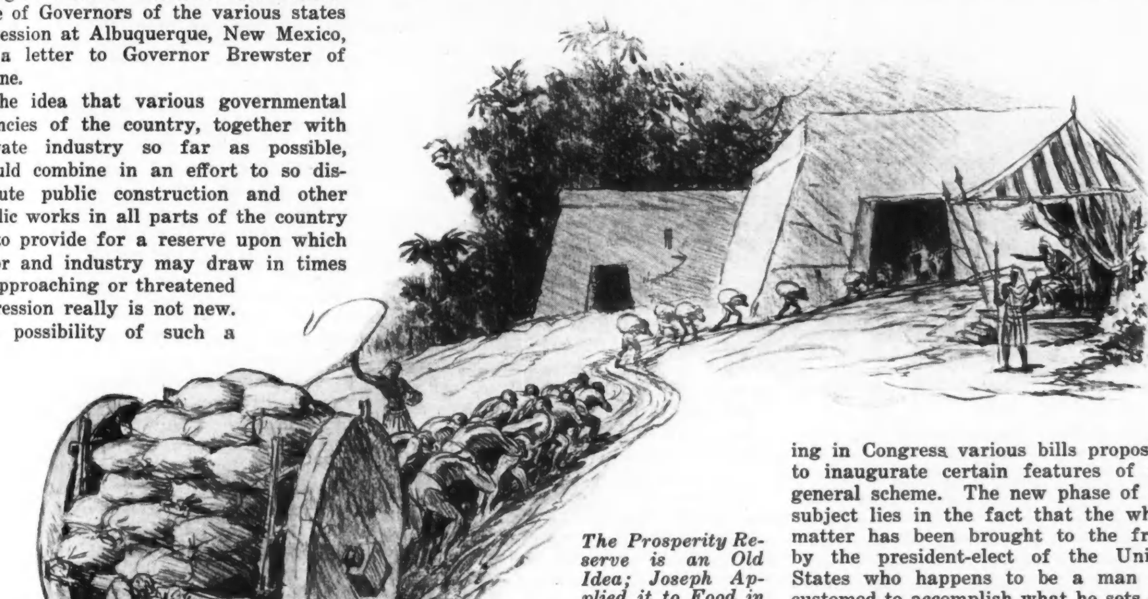
WHEN the sum of $3,000,000,000 is suggested by responsible governmental authorities as a practicable reserve fund for so stabilizing certain phases of industry in the United States that unemployment and recurrence of depression in business may be prevented, the entire banking and financial world is bound to take notice. The proposal of President-elect Hoover was brought to the attention of the Conference of Governors of the various states in session at Albuquerque, New Mexico, by a letter to Governor Brewster of Maine.

The idea that various governmental agencies of the country, together with private industry so far as possible, should combine in an effort to so distribute public construction and other public works in all parts of the country as to provide for a reserve upon which labor and industry may draw in times of approaching or threatened depression really is not new. The possibility of such a plan has been under discussion by economists for several years.

The proposition received its first important public support in the Conference on Unemployment called by President Harding in 1921 under the chairmanship of Herbert Hoover, then in his first flush of increasing success as the chief economist of the American people. That conference gave considerable attention mendation as to the means of avoiding business depression and consequent unemployment was in support of the practicability of such control of certain features of boom times as to prevent the more acute troubles in depression and unemployment.

Close to His Heart

"IF all branches of our public works and the construction work of our public utilities—the railways, the telephones, etc."—says the conference report, "could systematically put aside financial reserves to be provided in times of prosperity for the deliberate purpose of improvement and expansion in times of depression, we could not only greatly decrease the depth of depressions but we would at the same time diminish the height of booms. We would in fact abolish acute unemployment and wasteful extravagance. For a rough calculation indicates that if we maintain a reserve of but 10 per cent of our average annual construction for this purpose we could almost iron out the fluctuations in employment. Nor is this plan financially impracticable. Under it our plant and equipment would be built in times of lower costs than is now the case when the contractor competes with consumable goods in overbidding for both material and labor."



The Prosperity Reserve is an Old Idea; Joseph Applied it to Food in Egypt

Since the time this report and recommendation were made the possibility of thus establishing a "prosperity reserve" has been the subject of various attempts at legislation and there are now pending in Congress various bills proposing to inaugurate certain features of the general scheme. The new phase of the subject lies in the fact that the whole matter has been brought to the front by the president-elect of the United States who happens to be a man accustomed to accomplish what he sets out to do in matters economic. The proposal lies close to his heart. He has referred to the matter time and time again during his administration as Secretary of Commerce of the United States and he referred to the general subject several times during his campaign for the presidency. The entire proposition, therefore, becomes one of practical and rather insistent importance.

A Cycle Arrangement

A "PROSPERITY RESERVE" is what this plan is referred to in the Department of Commerce in Washington. The theory of it all is that our national expenditures on which all business depends are divided into expenditures for products consumed in our ordinary living and expenditures for permanent purposes,—for the roads we use, the buildings we occupy, the canals we dig, the dams we build, for our means of transportation,—in short, for the national industrial, commercial and social "plant."

For this reason the scheme for a prosperity reserve has mostly to do in a concrete way with building and construction and public works. We cannot well eat more or wear more clothes in times of depression and thus bring up consumption to keep the nation's workers busy nor are we likely to eat less and wear poorer clothes in times of national prosperity to keep the average where it ought to be. Rather things work the other, the wrong way, and accentuate our difficulties. Applying the principle of control to permanent works, however, is a different, a more practicable matter.

The whole proposition, in brief, is that the municipalities, counties, states and the Federal government shall so plan their public construction programs as to provide for two years in advance of actual construction needs and that the program as thus arranged shall be speeded up or retarded in conjunction with similar work of all other government and public agencies in accordance with the advice or decision of a central authority for the purpose of stabilizing the demand for labor and the markets for materials and other factors in construction and similar employment and in the industries which depend upon them. The idea is offered as no finished scheme but merely as one which may gradually be worked into a feasible plan for further stabilizing the business life of the country. It contemplates nothing additional of public or other funds but merely a seasonal or cycle arrangement for the expenditures for public works which would be made in any event.

Purely Voluntary

IN other words, instead of pushing public works at a time when the business of the country is booming and in which construction is naturally in high volume and thus competing with construction of immediate necessity and other activities at a time when it is of disadvantage both to the governments, private interests and labor to do so, the plan is to save as much of such construction as possible for times when business is more or less depressed or likely to be depressed and thus not only avoid expensive competition when it is not needed but furnish labor with employment and industry with orders at a time when otherwise they might be lacking.

Since there is no governmental or central authority for affecting this distribution and control of such expenditures it is suggested that the control may be obtained by the cooperation of the municipal, county, state and Federal governments of the country and other public agencies in charge of such expenditures. Naturally, all this is purely a voluntary arrangement; the difficulties in the way of adjusting such widespread and often conflicting interests are immense, and the entire matter is greatly complicated by the fact that there are no reliable, complete or measurably substantial data on which to base such control at present. But the idea is there and the people of the United States have already accomplished so much in the general direction of this scheme that the practicability of further progress along the same lines can scarcely be doubted.

Vast Expenditure

CONSTRUCTION work in the United States in 1927 exceeded $6,000,000,000 in value and it is already known that in 1928 that total has been vastly increased. Of this sum the expenditures for public works, public buildings and other public construction enterprises more or less directly under the control of governmental authority approach $2,000,000,000. The Bureau of Public Roads in Washington estimates that the total expenditures for rural road purposes, including new construction and maintenance, amount to more than $1,000,000,000 annually. The Census Bureau reports that 250 cities each with over 30,000 population expended more than $323,000,000 on outlays for streets, roads, alleys, bridges and other highway structures within the fiscal year of 1926.

One of the leading construction engineering corporations of the country which has given special attention to such statistics reports that expenditures for new construction of educational buildings in 1927 exceeded $368,000,000. The expenditures for other public buildings amounted to over $66,000,000. Irrigation, drainage, and reclamation works represented an expenditure of over $50,000,000. Other public works, such as bridges and the like, accounted for perhaps another $100,000,000. Expenditures for public utilities—extensions and betterments of railways, street car systems and similar concerns which to some extent may be brought within the same classification—amount to hundreds of millions of dollars in addition.

All these figures are mostly mere estimates but they give a fair picture of the expenditures of the country upon its industrial, commercial and social "plant." Much of the expenditures are for necessary replacements and repairs. Much of them are necessary by reason of the steady growth and expansion of the country. Just what proportion of these vast expenditures could be phalanxed for the purpose of stabilizing the nation's prosperity is problematical. Naturally some of these expenditures are for works of immediate necessity and their construction could not be retarded to fit in with any scheme of control without prejudice to the public interest. Some of them are required for use within a year or two and a few months delay might be of no material disadvantage. Some of them are of ultimate necessity or advantage but the need of them is not pressing. Works of immediate necessity cannot be fitted into a reserve scheme. Those of ultimate but not pressing necessity can best be fitted into such a plan. The great mass of construction undoubtedly comes within the middle class—works which are more or less of considerable necessity but which can be advanced or postponed to a greater or less extent according to the requirements of the situation.

Surveys Essential

WHILE it is a question just how much of these public enterprises can be advanced or retarded according to economic advantage the actual volume of such work involved in a reserve scheme need not be great. The report of President Harding's Conference on Unemployment indicates that if so much as 10 per cent of the nation's average annual expenditures upon permanent construction can be held in reserve from year to year to be thrown into the labor and material market at the approach of a period of depression it would serve not only to raise the volume of business to the level of safety and prosperity but would also serve to prevent the expensive and over-expansive booms which are of almost as much disadvantage to the country as the period of depression.

Herein lies the first requirement for the successful inauguration of any reserve scheme—the absolute necessity of a comprehensive survey of the country for the data necessary to afford an intelligent basis for any national scheme of control. The best authorities agree that it is probable that something like $1,500,000,000 worth of construction work annually could be made subject to a reserve scheme which would provide the $3,000,000,000 reserve on a two years' basis as contemplated.

Hence, if the Federal government and each state, county and municipal government in the country would make a survey of its construction needs two years in advance and make the necessary appropriations therefor subject to the advice or direction of the proper authorities and if these authorities would govern their action in the inauguration of such works by the national construction situation as indicated in a sort of bureau clearing house the expenditures of the country as a whole for public works could be so regulated as to provide the maximum stability for labor, capital and general industry concerned in such enterprises and exert a profound influence upon our entire national life.

Can Prevent Depression

THERE are two phases to the whole matter which merit special attention, the first being the financial factor and the second the general stabilizing effect of the control of the public works program. All such works involve financing which affects practically every village, town and city in the country—practically every banking institution in the United States.

Although there has been an increasing disposition on the part of many local governments to finance public works more and more out of current revenue the vast mass of such public works are paid for in the first place by bond issues.

(*Continued on page 699*)

The Varying Charges for Bank Credit

By D. RICHARD YOUNG

Abnormal "Call Money" Rates Do Not Apply to Industry and Trade. Why Bank Charges Range from 4½ to 12 Per Cent. Credit Standing and Value of Account Are Important Considerations. Interest on Deposits Often Is Omitted When Borrowing.

AT a time when interest rates are the highest in a decade the subject of money markets takes first importance in discussions among bankers. One phase of this subject does not appear to be clearly understood on the part of the general public, namely that abnormal "call money" rates do not mean that banks charge all borrowers at this figure. As a matter of fact bankers grant preferential rates of several per cent in favor of their clients engaged in industry and trade, as well as to correspondent bank borrowers.

Although all bankers are students of the money market in a general way it might be of interest to direct a brief but concentrated consideration toward this particular point, by examining the different classes of loans and ascertaining the reasons for the divergence in interest charges.

Call loan rates are the most popular barometer to our money market, and the least reliable. By their very nature, the funds loaned out by banks on a day-to-day basis represent only their surplus. Only a minor portion of a bank's funds are loaned on call as a rule, the major portion of its assets being loaned to regular customers—to the same group that has supplied the deposits. Naturally the volume of deposits and loans fluctuates considerably over a period of time and, since most banks nowadays like to keep all their funds working, the call loan market furnishes a convenient means of hiring out the temporary surplus above reserve requirements, which would otherwise be idle. For a seven-day period, for example, a bank hardly wishes to go to the trouble of purchasing bonds, only to sell them again shortly and assume commission charges and risk of fluctuations that might offset the few days interest accrued.

Thus the supply of day-to-day funds loaned on call will come from one bank, then another, constantly turning over and seldom staying out for long periods. In exceptional cases banks may allow a limited portion of their funds to remain in the call market indefinitely. If a borrower pays up, the money is reloaned to the best bidder. There are call loans in New York banks that have been running for twenty years, never having been paid off and never called. Interest on call loans is calculated for the first day at the rate at which the loan was made, but thereafter is ruled by the renewal rate established daily by the money committee of the New York Stock Exchange. At the end of each month and when the loan is paid, this interest is figured on the varying rate of each day and settled.

The Divergence of Typical Commercial Bank Rates in New York

	Going	High	Preferential
Discounts for corporations..	5½	6	5¼
Loans to individuals........	5¾	6	5½
Loans to banks	5½	6	5¼
Call loans to brokers.......	12	15	...
Time loans to brokers......	7¾	8	6
Commercial paper, 4 to 6 months	5½	5¾	5¼
Bankers' acceptances, 90 days	4⅝	4¾	4½
Personal loans, $50 to $1,000	6	6	...
Real estate mortgage or unsecured	6	6	5¾
Federal Reserve rediscounts	5	...	...
Federal Reserve funds......	5	5¼	...

Little Responsibility Toward Call Money Market

BANKERS feel no particular responsibility to take care of the stock exchange requirements at reasonable rates, for their first obligation is toward their own customers. If they desire to recall funds loaned in Wall Street they do not hesitate to do so, and a loan called before noon must be repaid in the afternoon of the same day. If brokers' requirements are not supplied and they are willing to bid higher rates for money it will always be forthcoming at a rate. The system works perfectly and is unexcelled as a practical illustration of the fundamental law of supply and demand.

These features of the call money market explain why present rates have been allowed to go so high, and why the general public is often led to believe that bank charges for accommodation of all classes is based on or at least corresponds with this abnormal rate for call money. In a big metropolitan bank the management has prepared each morning a tabulation of its position for the day, showing the deposits of different classes at the opening of business, reserve that is required to be carried thereon, actual reserve on hand, debit or credit balance at the clearing house and loans that will mature; also the call loan renewal rate established for the day. In addition there may be partial information as to probable renewals and new loans, prepayment of loans before maturity, large deposits to be received or withdrawn, large transfers, etc.

With this information in hand the management, if a surplus is indicated, may notify the stock exchange member who acts as the bank's money broker to lend so many millions at a certain rate or at the market. The loan is made to the brokerage borrowers on the floor of the exchange, after which it is a matter of detail for the brokerage firms to send the collateral to the loan department of the bank.

Commercial Loan Rate Most Significant

LOANS to business corporations make up the major portion of the large city bank's portfolio—loans to companies in every industry, such as steel, automobiles, textiles, foodstuffs, machinery, building materials, also wholesale and retail merchandising.

With only rare exceptions, these borrowers all have deposit accounts. Credit is extended on a straight note, unsecured by any pledge of collateral, so that the credit standing of the concern is the first consideration and the rate of minor importance.

Provided the company's financial condition is sound, with a late financial statement in file and recent checkings available showing its relation with other banks and with the trade, the next consideration is the size and desirability of the account that is being maintained. A $2500 average balance would not entitle a customer to a $100,000 line of credit. Yet there are no hard and fast rules. A customer carrying a $60,000 balance might ask for a rate on $1,000,000 paper and be offered a preferential rate, if in this particular instance the bank wanted to cultivate the customer or was anxious to put out the money.

At the present time perhaps 5½ per cent might be considered the average going rate, which of course presupposes that the applicant is an undoubted credit risk and that his account is desirable.

If the risk, or the balance, is not quite so good, if the loan is a renewal loan and the customer has been in the bank's debt rather steadily the rate would probably be 6 per cent.

And for some exceptionally good concern the bank may fix a preferential rate of 5¼ per cent, or perhaps have the customer fix it, and like it!

In New York State the maximum interest that can be charged is 6 per cent, anything above which is usury. Discount may legally be deducted in advance which brings the total interest charge slightly higher.

Bankers in the West sometimes inquire as to why, if the New York maximum is 6 per cent, the New York City banks can charge 10 per cent or more on call loans. This class of borrowing is excepted from the usury law, provided it is secured by collateral, on a demand basis and is over $5,000. Any rate of interest agreed upon by borrower and lender can legally be charged and collected.

Individual Loans Cost Slightly More

ASIDE from the large, well established industrial and merchandising corporations, there is an active demand for loans on the part of small corporations which are just getting established and look to banks to help supply the working capital for their growth. In the same class are individual borrowers, who may be individual proprietors of businesses, or officers of corporations who wish to borrow fairly substantial amounts putting up collateral as security.

The small business enterprise finds its needs best taken care of by the commercial bank. Its large and old-established competitors are able to raise capital through public financing in the investment market, but the average investor would not be attracted by the stock or bonds of any concern capitalized at under $1,000,000. Less capital than this even makes a name unattractive in the commercial paper market, but the concern's one or two own bankers may be willing to study into the situation carefully, as the casual paper buyer is not inclined to, and find a satisfactory basis of credit even though the company is not able to present to the world an unquestioned statement and past record.

Rates on such loans to smaller corporations, partnerships and individuals might average 5¾ per cent, or just as likely 6 per cent, with a preferential rate of 5½ at the minimum which would be seldom granted.

Proportionate balance requirements would invariably be insisted upon, also an annual going out of debt for one to three months each year.

Interest credited on deposit balances is sometimes waived when the concern is borrowing from the bank, depending on the arrangements made when the account was first opened or when credit is applied for. When a company receives, for example, 2¼ per cent when not borrowing, the elimination of this interest would add a fraction of one per cent to the cost of loans.

Most individual loans, even when secured by stocks and bonds, are handled as discounts, and the interest is deducted in advance instead of being paid at maturity. If a bank allows an individual to borrow on a demand loan basis, this represents preferential treatment indeed.

Banks Borrow to Re-Lend at a Profit

A QUESTION that is puzzling bankers today is what rate should be *charged* the interior bank which borrows on its own bills receivable or securities, for the purpose of re-loaning the funds on call at the prevailing high rates.

By no means are all loans to banks of this sort, for interior banks from time to time have greater demands for loans than they can meet with their own resources. A certain section of the country may have a period of unusual business activity, or there may be a crop failure or a labor strike to pull down deposits, or some large industrial organization may make special demands. In the last case, of course, a country bank that under banking regulations could lend only a certain amount to a single borrower, based on its capital and surplus, could not rediscount this paper with its city correspondent bearing its endorsement, and then lend further amounts, as is sometimes attempted through oversight.

Outside of New York, money rates are generally somewhat higher and state laws regarding usury may be 8, 10 or 12 per cent. This means that loans to interior banks are not only an accommodation, but enable them to make an actual profit on some other bank's capital. Moreover, the class of security offered is not always of the best, for any first-class, eligible paper could be rediscounted at the local Federal Reserve bank at a rate well under the market. The heterogeneous list of notes submitted as collateral often include concerns not even rated by Dun and Bradstreet, personal notes, real estate paper, etc., on which a margin of 100 per cent is often asked, and is none too high.

Nevertheless, bank correspondents usually keep fairly liberal balances on deposit and their relation with the city bank may be of many years standing and be based on mutual service in exchanging credit information, etc. Usually a strong feeling of personal friendship, of fraternity, exists between bank officials in the different sections of the country who deal with each other.

As a result, the interior bank is usually charged no more than the good commercial risk, which would perhaps be 5½ per cent. If the bank borrower were just fairly good, or the collateral submitted were sub-standard, the rate would be 6 per cent. On the other hand, to a large and prosperous bank which kept balances nearly equal to its borrowings, a preferential rate of 5¼ per cent might be extended.

Commercial Paper at 5½ Still Attractive

IT may seem strange that in the present abnormal market that bids 12 to 15 per cent for call money, commercial paper brokers can still sell notes of business concerns on a 5½ per cent basis. Particularly prime names may go even at 5¼, while less known names are offered at 5¾ per cent.

It is a fact that any good house that meets the requirements of the commercial paper market can borrow all the money it needs at less than one-half the cost to brokers and investment houses. Less than one-half! This should be a conclusive answer to uninformed critics who think that bankers receive fancy returns on their entire assets, and that legitimate business is thus being taken advantage of.

Commercial paper is a splendid bank investment. It is true that many banks have not purchased a piece of paper for their own account in a decade, but this is not because they would not be glad to have it in their portfolio but rather because they can lend all their available funds to their own customers—they can lend to the small business already referred to, which they are willing to study into but which the unfamiliar lender is not interested in, preferring well known names at a fractionally lower rate.

Our economic development in the United States created the commercial paper market. It meets the conditions created by our open account—cash discount method of merchandising, by our system of thousands of independent banks, by a country so vast and diversified in its products, so uneven in its distribution and growth of wealth.

Banks which use surplus funds for the purchase of commercial paper can obtain a diversification among lines of business, also as to geographical location, quite impossible if their loans were restricted to local borrowers. At maturity they know that the paper will

(*Continued on page* 704)

A New Kind of Gold Reserve

By E. A. GOLDENWEISER
Director of Research, Federal Reserve Board

Trend Toward Gold Reserve Standard As Currency Basis Seen. Gold Rapidly Ceasing to Circulate. Now Used Principally by Central Banks. Confidence of Public More Precious Than Gold Behind Monetary Systems. Offsetting Declining Production.

Meeting a Menace

THE menace to price levels seen by some economists in the steadily declining world output of gold is met by Dr. Goldenweiser with the argument that every year less actual gold is needed to uphold the credit structure and as time goes on smaller ratios of reserves will take care of the growing credit needs of trade and industry. Although connected with the Federal Reserve Board, he is expressing his personal views.

THE year 1928 has seen the practical completion of the reestablishment of the gold standard. The financial convulsions through which the world went after the war are too familiar to need rehearsing and it is doubtful whether there is a competent authority at this time willing to undo the developments of the last few years and return to a paper basis. However much many economists, bankers, and statesmen may advocate a revision of the basis of currency, there are few who would not prefer gold to paper as a rock upon which to build the world's financial structure.

The world has returned to a gold standard, and that is true of all the important countries, with the exception of Spain and Japan, and it is probable that both of these countries as well as a number of minor countries will come into the fold in the course of a few years. But the phrase "gold standard" includes a great variety of different standards which have only this in common—that they establish a stable relationship, fluctuating only within the gold points, between a country's currency and gold. A full gold standard exists in the United States, where there is no restriction on gold imports or exports, on the redemption of currency in gold coin or gold bullion, or the coinage by the mint of all gold offered for coinage, and on the availability of gold for circulation purposes by those who may wish it. It is doubtful if there is any other country where gold is as free from control as it is in the United States, and yet there is practically no gold in circulation in this country. Not by law and not by persuasion, but by the development of custom and owing to the inherently greater convenience of paper money, gold has been driven out of circulation. This is not a case of operation of the Gresham law by which poorer money always supplants better money, but the combined result of absolute confidence on the part of the people of the United States in our paper money, that is ultimately in the Government, and the greater efficiency of this kind of money as compared with clumsy coins. In the United States we have the unlimited old-fashioned gold standard minus gold circulation.

A number of other countries, principally England and France, have a gold bullion standard under which their central banks are obliged to redeem notes only in amounts approximating $8,000, and in bullion rather than in coin. This means in practice that gold is available for international payments, but not for domestic circulation. There are other restrictions in these countries upon the freedom of gold movements. The mint in England is under obligation to mint gold only for the Bank of England, which means that gold bought in the open market cannot be converted into sovereigns, unless the Bank of England chooses to have it converted, and that means that gold is of no use to a Britisher unless he wants it for export, for industrial purposes, or to satisfy a personal hobby.

Still other countries have a gold exchange standard, and this includes many minor countries as well as Germany as a matter of law. Under the gold exchange standard, the central bank is obliged to redeem its notes either in gold or in exchange on a country which has the gold standard. In practice, it is required to give the holder of notes at its own choice either gold on the spot or gold in one of the financial centers, chiefly London or New York. This arrangement also eliminates gold from circulation, except as it may be circulated under a deliberate policy of the central bank, and restricts its use to reserves and international payments.

A Dangerous Proceeding

THE gold exchange standard, which prior to the war had functioned in India and the Philippines, was considered by some to be the solution of postwar difficulties and to provide a method by which gold could best be economized. In the last year or two, however, the gold exchange standard has lost much of its popularity.

Its principal advantage from the operating point of view was that gold could be sent abroad and invested in short-term obligations and could thus earn money for the central bank while at the same time counting as reserve. From the point of view of world credit conditions, the principal characteristic of the gold exchange standard is that under its operation gold in the principal money markets can support currency and credit, not only in these markets, but also in other countries that maintain balances in these markets. It is in this very fact that a weakness of the gold exchange standard developed.

It became evident that it was a dangerous proceeding to count deposits in one country as reserves in another country. In the United States, for instance, against $100 of deposits there is on the average $7.50 of reserves with the reserve bank and against this amount the reserve banks must hold about $2.50 as reserves. This $2.50 under the gold exchange standard would support not only $100 of deposits in this country, but perhaps two and one-half times as much of currency or deposits in some other country. One could even go farther than that and point out that the deposits of a member bank contain a large part of the reserves of non-member banks and, therefore, the $2.50 in the Federal Reserve bank might be the basis of several hundred dollars of deposits in non-member banks, and these deposits in turn could be counted as reserves of some country with a gold exchange standard. This might be carrying the dilution of reserves to a very dangerous point.

It is not this alone, however, that has worked against the gold exchange standard, but rather the two factors of the desire of the central banks to have gold reserves where they could lay their hands on them and exhibit them in their statements and to visitors, and the desire of the central banks in the gold standard countries to be relieved of the uncertain contingent liability arising out of the volatile element in their short-time money markets represented by other peoples' reserves. The presence of these foreign reserve funds seeking short-term investment worked toward artificially low money rates. The principal financial centers operated under a veritable sword of Damocles which might be brought down at any moment by an unforeseen withdrawal of gold. It seems to be the judgment of the best informed practical men that the gold exchange standard is desirable only for relatively small countries, and that the great commercial countries of the world must have physical control over their own reserves.

Relatively Independent

DOES this mean that the trend is in the direction of a full gold standard as it exists in the United States, and as it was understood prior to the war? I think not.

It is my opinion that out of the war and the post-war readjustment there has come into the world a new kind of a gold standard which can best be described as the gold reserve standard. This term describes a standard which is relatively independent of the specific legal provisions about convertibility of notes or the availability of gold for export.

Provisions protecting gold in case of emergency and dictated by prudence and caution continue to be maintained by different countries, but only with a view to meeting emergencies, and emergencies are not a daily occurrence. Much more important than legal provisions are the practical, habitual daily uses to which gold is put, and at the present time the principal purpose that monetary gold serves throughout the world is found in its use for reserves of central banks.

Gold Goes Where Needed

AS already pointed out, although we have no restrictions on gold in this country, nevertheless gold does not circulate. This is true also of Switzerland and Holland. Not only does gold not circulate even in countries that impose no obstacles to its circulation, but it does not generally move in large amounts between countries, except in response to central bank policy, determined by the banks' reserve position rather than by the need of settling balances of payment. Our loss of $500,000,000 in gold during the past eighteen months has not been due to an unfavorable international balance of payments, but chiefly to the fact that the Bank of France has wished to build up its reserves prior to stabilization.

Gold moved to France at a time when rates here were higher than in France and when the purchase of gold was not commercially a profitable operation. Gold in this case was not functioning as a means of international settlement, but was moving toward the place where it was most urgently needed as reserves. That is one of the manifestations of the gold reserve standard in practice. I believe that it will be increasingly true that the reserve function of gold will supersede the other functions, and that regardless of individual differences between countries in details of legislation or management, the world will function on the gold reserve standard.

Shortage Predicted

THE question that is frequently discussed and is prominent in the minds of economists and statisticians, is whether the annual supply of new gold is going to be sufficient to meet the growing requirements of industry and trade without causing a radical readjustment of price levels. Figures are produced of the amount of gold that is extracted from the earth every year and these amounts are compared with the average annual growth of credit or of trade and industry, and the conclusion is reached that a shortage of gold and a consequent decline in prices and economic depression are inevitable.

I need not here analyze the figures of gold production. It is well known that production is now smaller than during the peak year of 1915 and that there are no immediate prospects of a large increase in production. There may be elasticity in the demand for gold from India, one of the large consumers of the metal, and there is also a possibility of adjustment in the industrial demand. There is no way, however, of estimating the probabilities in these directions and so far as one can see at the present time, annual additions to the monetary gold supply of the world are not likely to exceed $250,000,000, or about two and one-half per cent of the existing supply.

Is that enough? Those who rely on normal ratios of increase are inclined to say "no." Those who doubt the possibility of estimating future trends of business say "we do not know." It would seem to me that the answer is that it is the duty of the banks of issue and the governments to see to it that the available supply of monetary gold be sufficient to provide for the legitimate growth of trade and industry.

Enshrined as Fetishes

THIS may seem to be a daring statement to make, but recognition of the responsibility of banks of issue for supplying the needs of the country appears in the Federal Reserve Act, which gives the Federal Reserve Board authority under certain conditions to suspend reserve requirements, and in the new British Currency Act, which authorizes an expansion of the fiduciary currency when an urgent need arises. The debates in Parliament prior to the passage of the Currency Act indicate that in England, at any rate, it was the intention of the law to have the central bank actually exercise its privilege of increasing fiduciary circulation when the situation seemed to demand it. Both of these laws contemplate emergencies, but they both also indicate a recognition of limitations on the sacredness of gold reserve ratios and make legal provision for disregarding those ratios when it is necessary for the public good. It appears that the world must gradually pass from the condition when these ratios were enshrined as fetishes to a period when they will be considered merely as important, but in no way sacred, indicators of changes in credit conditions.

Gold Will Be Supplanted

THE fundamental purpose of central gold reserves is to inspire and maintain the confidence of the people in the soundness of their currency. Another purpose in each individual country is to have sufficient gold to meet a foreign demand for the metal. This latter function of reserves, however, is gradually declining in importance. Gold movements have been on an exceptionally large scale since the war, to be sure, and have presented a difficult problem to the Federal Reserve System.

Prior to 1924 these movements were chiefly the result of financial disorganization abroad, and since that time they have been chiefly in response to central bank credit policies. By maintaining sufficient foreign balances, not as a part of their legal reserves, but as resources accumulated in accordance with established banking policy, the central banks can to a large and increasing extent avoid the necessity of gold shipments. This will be an extra-legal use of the technique of the gold exchange standard limited by the necessity of maintaining legal reserves in gold. Gold will then be gradually supplanted by drafts as international currency and will come to be more and more exclusively charged with the duty of functioning in the form of reserves.

What constitutes adequate reserves? Certain percentages appear to be customary in the determination of central reserves: 25 per cent, 35 per cent, 40 per cent, 50 per cent. Why 50 per cent and not 25? Why 40 per cent and not 35? It is possible to have the confidence of the people on a much smaller percentage than any of these. In maintaining public confidence, sound management of banking policy and sound government finance are of greater importance than a large hoard of gold.

Avoiding a Gold Famine

IT is sometimes claimed that the United States has a smaller amount of gold relative to total currency and deposits than have other countries. I have had a careful analysis made of this statement. When the figures are put on a comparable basis including as nearly as possible the same classes of banks, it would appear that the ratio of gold to total currency and deposits in the United States is about 6.3 per cent; in Great Britain about 4.7 per cent; in Germany

(*Continued on page 693*)

Fixing Fees For Trustees

By DUDLEY C. MONK
Trust Officer, First National Bank of Tulsa

Uniform Fee Schedule Urged for Trust Departments of Banks. Trustees Entitled to Adequate Compensation Based Upon High Value of Service Rendered and Element of Hazard. Experience Best Basis for Determining Level of Charges to be Adopted.

The Laborer's Hire

THE ancient axiom that the laborer is worthy of his hire is nowhere better borne out than in the trust field. Mr. Monk shows that the trust department must fix its charges not only upon the value of the service given the trustee and the cost of administration but also upon the hazards of its calling. He feels that trust departments should compete in every line but in the matter of fees there should be uniformity.

THERE always will be fluctuations in the base line of administrative cost to a trust department. That line will proceed in a downward curve to the point where the machinery is taxed to its utmost to care for the current load, and then rise sharply when additional personnel or economies of administration carry the capacity of the department above the volume of trusts to be handled.

Thus it is obvious that, in fixing fees for trustees, fees which will not mature for a term of years, there must be added, in addition to the current base cost of administration, a safety factor to take care of the fluctuation between capacity and volume. It would be very simple, if there was a normal line of administrative cost, running along in the same plane, to which could be applied a profit margin. Unfortunately, the problem is more difficult. It is complicated by these varying relations of capacity and volume.

Mr. Justice Storey, it was, who said that the policy should be such as to induce honorable men, without sacrifice, to accept the office. And that is the test in the determination of the trustee's fee. The fees should be sufficient to induce the trust company, without sacrifice, to accept the trust. They should not be exorbitant so as to bring to the trust company an excessive profit. But the desire and the anxiety of the trustee should be so to organize its trust department, its personnel, its machinery, its methods, as to administer with dispatch, accuracy and integrity a large volume of trust service, with the very minimum of administrative overhead, thus enabling the trustee, the corporate fiduciary, to render a very valuable service at a rate far below that which would necessarily be charged by an individual if he were to bring to the discharge of his trust equal care, solicitude, skill, efficiency, experience and mechanical accounting facilities. In other words, the economies which the corporate trustee can achieve through a highly specialized personnel and a highly systematized machinery, bring better service at a lower cost.

Measure of Cost Difficult

A GREAT deal of effort has been expended toward the establishment of the administrative cost of fiduciary service. There are a great many cost accounting methods, all of which undertake to analyze the work performed in the various trust operations. These methods give a more or less accurate estimate of present costs, but do *not* afford a very reliable standard to predict future costs.

The result obtained in those divisions of trust service which are largely routine and comprise comparatively uniform elements of time and skill, such as corporate trusts, escrows and custodianships, are susceptible of accuracy.

But in those trusts where the human factor is large, conference time indeterminate, number of operations impossible of prediction, and variety limitless, such as executorships, administrations, testamentary, living and insurance trusteeships, it would be difficult, if not impossible, to lay down any accurate measure of cost.

Multiplies the Units

ONE large trust company has worked out a very elaborate cost analysis, which is demonstrably accurate and valuable in the routine division above mentioned, but which in the general trusts confesses its impracticability. The method employed by this company is to break the trust down into the number of operations, which factors are called units, multiply these units by the number of trusts to get time units; then divide time units into the expenses, direct, indirect and administrative, allocated to the division.

To illustrate: with a safe-keeping for service account. The operations are grouped into three brackets: 1. Acquisition; 2. Management; 3. Release.

Acquisition has three operations:

1. Receiving, giving receipt. 2. Lodgment of securities. 3. Entry and setting up ticklers.	3 Units

Management has three operations:

1. Clipping coupons. 2. Collecting. 3. Remitting.	But performed semi-annually, hence, 6 Units

Release has three operations:

1. Withdrawal of securities. 2. Correcting records and maturities. 3. Delivery, receipt.	3 Units

Let the number of accounts serviced be "x"; then the number of operations will be 12x. Let the cost, direct, indirect and administrative, allocated to the division, be "Y"; then the cost per operation is Y over 12x ($\frac{Y}{12x}$).

Cannot Be Standardized

THE difficulty of applying this method to executorships, guardianships and the like becomes apparent when one endeavors to classify the operations.

Take the executorship—who can standardize these operations—hours spent conferring with the bereft and in funeral arrangements, money advances, telegraph items, immediate family arrangements, pre-administrative steps, notifications, letters, property disposition, safety deposit inspections, listing, checking, probate, notice to creditors, inventory, tax reports, family allowances, homestead, claims of creditors, care of property, sales, family conferences, tax conferences, returns, contests, legacies, collections, litigation, repairs, tenancies, partial distributions, partition, reports, notices, hearings, distribution, release, and all through the proceedings countless conferences of varying times. These items cannot be standardized.

Therefore, on the subject of executors' fees and the like, I believe the only safe standard is the arbitrary fee built up by experience in the United States, one that is perhaps a composite. These fees have proved adequate under individual operations and they should prove adequate under corporate operations.

Advantages Catalogued

IN determining the amount of compensation, new trust departments are prone to minimize the value of their services. They are apt to underrate the importance of their work. They are apt to think of themselves in terms of the individual trustee. In order to have the proper sense of their own worth, it would be well for the new trust department to consider the advantages of the corporate fiduciary over the individual. Here are catalogued a few of these advantages:

The trust company affords the beneficiaries sound financial counsel, not only in connection with the estate but in the management of the property and affairs of the beneficiaries.

The trust company has continuous existence whereas an individual may die, involving the estate in delay and the expense of the appointment of a new administrator.

The trust company is always available, it is always able to transact business, whereas an individual may be out of the city, may be engrossed in attention to his other business, may be ill, or taking a vacation at a time when some important estate matter requires attention.

The trust company is a specialist. Constant practice assures skill. Matters which are an everyday routine for the trust company requires exhaustive and novel study on the part of the individual unaccustomed to these matters.

The trust company maintains as a part of its machinery an accurate accounting system designed for the sole purpose of facilitating the management and distribution of estates, whereas an individual has no such accounting system and in the isolated cases which he will handle could not, for the fees he will receive, afford to establish so expensive an accounting system as has been found necessary for the trust company.

The trust company, being a specialist, has no diversions to prevent its prompt attention to the management of the estate, whereas an individual will probably give priority to his own business.

The trust company determines all matters of investment, management and sale of trust property upon the combined judgment of its trust committee made up of men selected because of the soundness of their business judgment, whereas the individual may proceed on his own judgment which may not be experienced in such matters.

The trust company has financial responsibility. An individual is engaged in the hazardous enterprise of business. He may be a man of considerable means this year, insolvent the next.

The trust company, because of the volume of estates handled, because of the variety of problems presented, because skilled in tax and accounting matters, is frequently able to effect economy in taxes within its own department, whereas an individual, being inexperienced, is obliged to rely upon outside tax counsel, involving additional expense and the uncertainty of making a wise selection of counsel.

Who Would Quibble

A WELL organized and efficient trust department can render a service to the trustor, both in his lifetime and after his death, which is valuable far beyond his means to procure elsewhere. It can perform services for him during his lifetime which he cannot perform himself.

The trust company can guard his investments so as to assist him in building his secondary estate, which it can then, through the use of agencies, living trusts and insurance trusts, consolidate into a valuable asset, which, through the insurance trust, living trust and will, can be made to carry on the beneficient desires of the creator of the estate. Where-else could such a service be obtained? And who would quibble over compensation for such a return of skill?

We have considered the cost of the trustee's service and its value to the trustor and beneficiaries; let us now examine the responsibilities and hazards of the trustee in rendering this service.

Points of Danger

THE trust department is proceeding constantly over a "No Man's Land" of doubt, uncertainty, want of judicial construction and complicated facts, all underlain with deadly mines of litigation, hazards, controversies and loss.

Here are some of the points of danger:

If the trust company acts under an invalid appointment or in excess of its power, it becomes personally liable.

If it commits a tort in the administration of the trust estate, it becomes personally liable to the injured person.

If it pays the wrong person or pays the right person the wrong amount, it becomes personally liable.

If it fails to insure and property is lost, it becomes personally liable.

If it fails to convert non-legals and loss follows, it becomes personally liable.

If it conveys without proper qualifications, it becomes personally liable in warranty and in covenant.

If it enters into a contract, it succeeds in binding itself with only such right over against the state as may by contract have been given.

If it permits a co-trustee to deal improperly with the trust estate, it becomes liable.

If it holds stock of a corporation, it becomes liable as a stockholder.

If it neglects the management of properties, it is liable for losses to the estate.

If it is directed to make certain investments and fails to do so, loss occurring, it is liable.

If it fails to pay taxes, it becomes liable.

If it delegates power in excess of its authority or to an improper agency, it becomes liable.

If, being charged with the payment of insurance premiums, it fails, it becomes personally liable.

To sum up, the trustee moves constantly in an atmosphere charged with dangerous liability. Fiduciary service is properly classed as a hazardous financial occupation; but through preparation, a skilled personnel and a proper accounting system will reduce the danger to a remote possibility.

High Pay for Hazards

IF one will proceed through the list of trades and vocations today, he will find that the hazardous employments are those most highly paid. The structural steel worker is paid more than the man who hammers nails in a fence on the ground. The man who dives with the submarine, or who engages in salvage or subterraneous exploration, is more highly paid than the fisherman who sits in the open boat in the bay. The man who paints the tall spires, the steeplejack, is more highly paid than the man who rigs awnings. The aviator is paid extra compensation for his hours in the air. The man who quells the lions in their cage is paid a higher wage than the man who throws fish to the seals. The man who takes his life in his hands to explode the nitroglycerine in drilling wells is paid more highly than the roustabout who hauls pipe to the derrick. The men who risk their lives and limbs in trades or vocations are paid commensurately for the hazards they take.

Is it not, then, reasonable that the trustee should have some additional fee in some measure at least to compensate him for his risks? Even if it were possible to so augment the fees of the trustee as to establish a reserve out of which losses could be paid, I doubt if any sufficient or secure reserve could be established against the losses which might come. It is probably true, of course, that over a great many years the earnings of the department will eventually establish a basis of security. But it is equally true that, unless great skill is exercised in the formative years of the trust department, there may occur a crash of liability which would shake the entire structure.

The conclusion, then, is that the trustee in fixing its fee must take into account:

First, the cost of rendering the service;
Second, the value of that service;
Third, the hazards attending its rendition.

I would not be misunderstood as recommending the establishment of an individual and independent schedule of trust fees by each trust company. On the contrary, I consider that a most unfortunate condition. Trust companies may compete with each other on almost any plane other than that of fees. They may compete with each other as to the competence of their trust officers, as to the integrity and age of their institutions, as to the wisdom and ability of their boards of directors, as to the effi-

(Continued on page 694)

Banking Aboard a Battleship

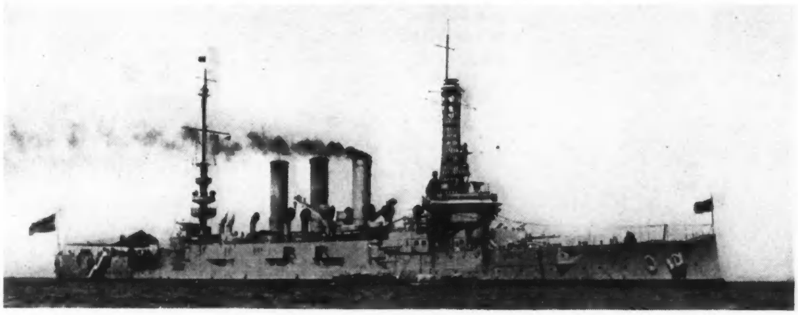
By COMMANDER FRED E. McMILLEN
Supply Corps, United States Navy

Seagoing Bankers on American Men-of-War Disburse Millions. Officers of United States Navy Supply Corps Are Paymasters, Purchasing Agents and Bankers for the Battle Fleets. Their Tasks as Complicated as Banking Ashore. Records Voluminous.

THE officer handling money and keeping pay rolls on board ships of the Navy was known as the "Purser" until 1860 when his title was changed to "Paymaster." By 1919 the duties of officers of the Pay Corps of the Navy had become so much more varied and extensive that the terms "Pay Corps" and "Paymaster" were considered to be misnomers and Congress changed the name of Corps to "Supply Corps, U. S. Navy."

Officers of the Supply Corps are assigned to supply, disbursing, accounting, commissary and other duties and are addressed and referred to orally and in written communications by the titles of their ranks, the same as other officers of the Army, Navy and Marine Corps, the name of the Corps following the title in all official orders and correspondence.

The disbursing officer on board a vessel of the Navy is usually a junior commissioned officer of the Supply Corps, although on board the gunboats patroling the upper waters of the Yangtze River in China the commanding officer or executive officer of the ship performs the necessary disbursing duties. On battleships, aircraft carriers, armored cruisers, tenders and other ships of the Navy having more than one commissioned officer of the Supply Corps attached, the junior is assigned as the "assistant for disbursing" and as such has charge of the ship's finances, pays all bills for provisions, fuel, supplies or services procured for the ship, keeps the pay rolls of and pays the officers and men of the crew, and renders financial returns to the General Accounting Office. On smaller vessels having but one commissioned officer of the Supply Corps attached, that officer, known as the "Supply Officer" of the ship, performs all of the disbursing as well as the general supply and commissary duties for the ship. The pay accounts of smaller naval craft, such as destroyers, submarines, tugs and mine-sweepers, are ordinarily carried on board tenders or by disbursing officers located on shore.



The U. S. S. Pittsburgh

All Are Bonded

THE maximum amounts of currency which disbursing officers are permitted to keep in their personal custody for official disbursement are fixed by Treasury Department regulation. Currency is kept in the exclusive custody of the disbursing officer except where a pay clerk is assigned. In such cases, limited sums—usually not exceeding $5,000 at a time—are advanced to the pay clerk on his receipt to meet the current daily expenditures of the disbursing office.

The disbursing office of a ship, ordinarily termed the "Pay Office," is in charge of the disbursing officer, assisted by a number of enlisted petty officers experienced in pay roll work and familiar with rates of Navy pay and allowances, pay laws and decisions of the Comptroller General of the United States. On transports, tenders, aircraft carriers and other vessels carrying an exceptionally large number of pay accounts, a pay clerk may be assigned for duty as assistant to the disbursing officer.

An officer ordered to disbursing duty on board a ship of the fleet procures official funds by requisitions on the Fleet Paymaster, who is the senior officer of the Supply Corps attached to the personal staff of the Commander in Chief. If attached to a vessel not belonging to a fleet but operating independently, the disbursing officer forwards his requisition for money, approved by his commanding officer, to the Paymaster General of the Navy in Washington. The Paymaster General in turn submits requisitions for funds required by all Navy disbursing officers ashore and afloat to the Secretary of the Treasury, via the Secretary of the Navy and the Comptroller General of the United States. Upon final approval of the Paymaster General's requisitions, the necessary warrants are issued by the Treasury Department and the required sums are placed to the credit of the disbursing officers.

While in some cases the Treasury Department may ship currency to disbursing officers to fill their requisitions for funds, this is rarely necessary, as disbursing officers are ordinarily able to secure currency by means of checks drawn to their own order and cashed by a Federal Reserve Bank or other government depository.

The salaries of officers and men afloat are usually paid twice a month in cash. Persons desiring to make remittances at any time may secure "exchange for cash" checks in exchange for currency. Bills for fuel, provisions, general stores and services furnished ships at home and abroad are, unless secured from government sources, paid for by the ship's disbursing officer, usually by United States Treasury checks.

Foreign currency required for the payment of salaries of officers and men, and public vouchers in foreign ports where United States Treasury checks are not acceptable at par, is obtained by disbursing officers through the sale of bills of exchange. A Navy "bill of exchange" is merely a sight draft drawn by a disbursing officer on the Secretary of the Navy for a stated amount expressed in dollars and cents.

For purpose of illustration, we will assume that the disbursing officer of the U. S. S. *Pittsburgh*, arriving at Amoy, China, is called upon to pay for 1870 tons of coal at 9.50 taels per ton. The disbursing officer has no Chinese money on board, and the contractor is unwilling to accept a United States Treasury check. He does agree, however, to ac-

cept payment in Mexican dollars at the rate of $1.38 Mex. to the tael. The disbursing officer first determines that he will require 9.5 × 1.38 × 1870, or $24,515.70 Mex. to pay the bill. His next step is to determine by means of current quotations obtained from local banks the most favorable rate of exchange on Washington, D. C. In this case we will assume that it is $.495 to the Mexican dollar. The disbursing officer, therefore, draws his bill of exchange at three days sight on the Secretary of the Navy, Washington, D. C., for $24,515.70 Mex. × .495, or $12,135.27 United States gold. The bill of exchange is drawn in favor of the commanding officer of the ship and is indorsed by him to the bank furnishing the money at the rate quoted.

Makes Up Money Lists

THE disbursing officer, upon selling the bill of exchange, makes out and forwards to the General Accounting Office an account of sale, showing his authority for drawing the bill of exchange, the number, date, face value and proceeds of the bill of exchange, and the certificate of the local United States consul as to the current rate of exchange on the date the bill of exchange was sold.

The heaviest cash disbursements regularly made on board ships are those connected with the crew's semi-monthly pay days on the 5th and 20th of the month. Prior to pay day the disbursing officer makes up money lists showing the amount each member of the crew is entitled to draw, these lists being scrutinized and approved by the commanding officer of the ship and posted on the ship's bulletin board. Individual pay receipts are furnished to the men on pay day, which they are required to fill out and sign. The receipts must also be signed by an officer not connected with the disbursing office. The men are mustered and paid as they file by the disbursing officer, who receives and scrutinizes the pay receipt, checks the name and amount on the money list and pays the amount stated thereon. Immediately upon completion of paying off, the pay receipts are totaled, balanced against the cash remaining unpaid on account of absentees and others not drawing money and charged on the pay rolls.

Miscellaneous payments made between pay days are ordinarily made by the pay clerk, who maintains his own cash book, separate from the official cash book of the disbursing office, in which all the business transactions of the ship involving the receipt or expenditure of government funds are recorded.

Allotments to Banks

THE convenience of the Navy allotment system, whereby officers and men of the Navy may allot all or part of their pay to banks or individuals for savings, support of their dependents or insurance purposes, is evidenced by the fact that the Navy Allotment Division of the Bureau of Supplies and Accounts in Washington has on its books at the present time 56,103 current allotments, aggregating monthly payments of $1,838,814.

An officer or enlisted man desiring to register an allotment in favor of a member of his family or bank submits a request to the disbursing officer carrying his account. That officer fills out an allotment registry card showing the allottor's full name, the name of his ship or station, the name and address of the allottee, the monthly amount of the allotment, the number of months it is to run, and the total sum allotted. This card is then mailed to the Navy Allotment Officer in Washington, who thereafter draws in favor of the allottee, such checks being mailed in time to reach allottees as soon after the first of the month as possible. The disbursing officer registering the allotment or carrying the allottor's pay accounts on his rolls makes corresponding monthly checkages against the allottor's account.

Pay of the Navy Fund

ANOTHER banking facility devised for the convenience of enlisted men on board ship is the deposit for safekeeping. Members of the crew are permitted at any time to deposit with the ship's disbursing officer, for safekeeping, personal funds in the form of cash, checks or negotiable securities. Entries of such deposits are made in a record book signed by the depositor, who is given the disbursing officer's receipt for the amount deposited. All deposits for safekeeping are received at the risk of the depositors, no financial liability attaching to the custodian or his bondsmen in carrying these funds, which are kept separate from government moneys.

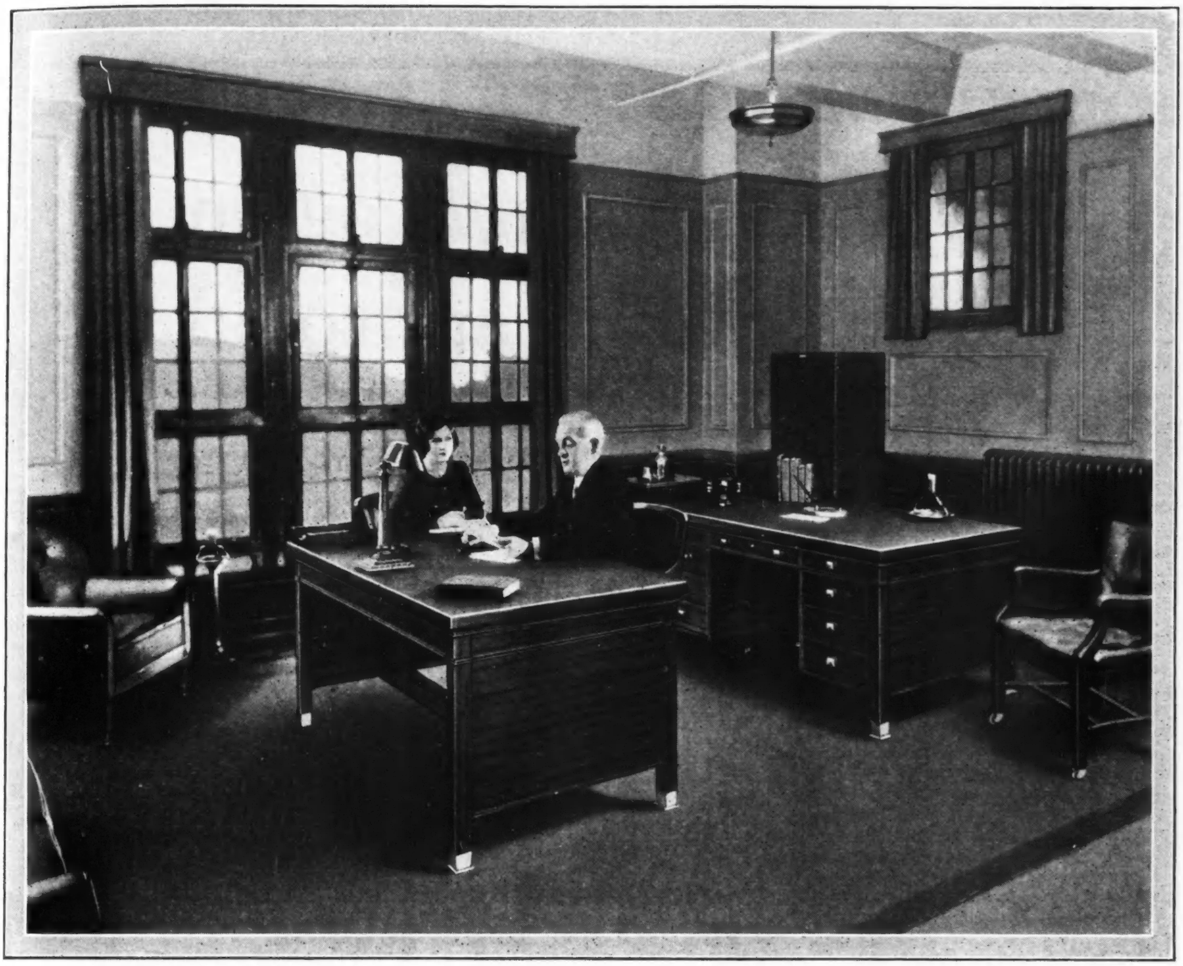
Under the authority of the Act of Feb. 9, 1889, any enlisted man of the Navy may deposit with the disbursing officer carrying his accounts sums of not less than $5, which are taken up as public funds to the credit of the Appropriation Pay of the Navy (or Marine Corps) Deposit Fund, and bear interest at the rate of 4 per cent per annum if remaining on deposit six months or longer. Men making such deposits are provided with individual deposit books in which the deposits as made are receipted for by the disbursing officer and certified by the depositor. Money deposited in this manner may not be forfeited except by desertion, and is not available for withdrawal before the man's final discharge from the service, when he is paid the total amount of his deposits with accrued interest. The enlisted men of the Navy are not, as a rule, now availing themselves of this Navy banking service, preferring to allot their savings to commercial banks paying higher rates of interest or invest their savings in other ways. On July 1, 1928, there was approximately $150,000 held in the Pay of the Navy Deposit Fund, and $455,000 in the Pay of the Marine Corps Deposit Fund.

Rigid Regulations

THE bulk of supplies, including provisions and fuel for naval vessels, is ordinarily procured from navy yards and stations and supply depots on shore, and from fuel ships and supply ships in the fleets. There are, however, certain classes of stores—such as fresh meats and vegetables, gasoline and fuel oil—which are procured by ships under current Navy contracts directly from the contractors. There are other miscellaneous items purchased in the open market by ships' supply officers. In any case, however, materials furnished naval vessels from other than naval sources are paid for by the ship's disbursing officer, this function consuming a large part of the time and attention of his office and presenting many interesting and sometimes complicated problems.

Another duty devolving upon the

(*Continued on page* 697)



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COMPLETE LINE OF OFFICE EQUIPMENT

Small Favors Help to Build Business

By W. R. MOREHOUSE
Vice-President, Security Trust and Savings Bank, Los Angeles

Extracts from Fifty Short Stories Written by Bankers. Actual Experiences Gained in the Routine of Banking. Little Things That Lead to Large Accounts. The Widow's Mite. "For Rent" Sign Brings Business. Road Map Leads to Depositor.

A MAJORITY of bankers prefer to do the big things and the spectacular things, and to leave undone the things which on the surface appear to be of minor importance.

Every banker, and especially every young banker, should read the experiences of big game hunters. Out of their experiences many lessons may be gleaned. They go to Africa supposedly to hunt only the king of beasts, but when they return and unpack their trophies, invariably they produce specimens ranging upward from the timid and helpless little dik dik antelope, not larger than an American jack rabbit, to the head of the most feared of all the jungle beasts, the water buffalo.

Bankers are gathering trophies in the field of banking. The collection assembled from time to time tells the true story of ambition's scope.

When I think of the potentiality of many of the little things which take place all about us in our respective banks every business day, I am amazed that more attention has not been given to their development. Just a little courtesy, perhaps only a kind word, a suggestion by way of advice, extended a customer or to a stranger at the right time, have produced valuable results. In fact, any small favor well done, gladly done, and cheerfully done, invariably spells greater success.

The Unexpected

PART one of a series of two articles by Mr. Morehouse from his store of short stories of real experiences, which show that little matters of courtesy lead to big surprises in banking. They point to the inevitable conclusion that bread cast upon the waters is still an investment that pays large dividends and they show the value of the by-product of courtesy.

A Stranger Dropped In

IN my files are more than fifty short stories describing the actual experiences of as many bankers. These little stories were written at my request by men who speak from their own experience, gained by them on the firing line in their respective banks. These stories are not hearsay nor are they overdrawn, but recite the actual experiences of active bankers in their dealings with people of all classes as the people have called from day to day to transact their business.

How a small service well done culminated in the securing of valuable business is well told by the first of these stories to be received by me. A stranger dropped in to a certain bank one day to inquire as to the legal rate of interest in Indiana, and also to ascertain the number of years that must elapse after a note falls due before it outlaws. This stranger had never entered this particular bank before, although he had lived in the same city eight years.

As he afterwards remarked, he realized at the time that the bank was under no obligation to supply him with the information he sought. In fact, he was skeptical as to the outcome of his call, but decided to take a chance, and walked hesitatingly into the bank. Much to his surprise, he was shown immediate attention. An assistant cashier greeted him cordially and volunteered his services. Promptly on making his request known, this officer flipped over the pages of his Bankers Directory until he came to the section devoted to the laws of Indiana, and there found the information he was searching for, communicating it to the stranger before him.

Quick to notice that the inquirer was in need of a piece of paper on which to write down the information, the officer flipped a piece of clean scratch paper from a pad on his desk and laid it down before the stranger, remarking:

"Perhaps you would care to write the information on this paper."

The stranger complied, expressed his appreciation of the courtesy shown him, glanced over the banking room, remarked "You have a fine bank," and then walked out. The assistant cashier turned back to his work with no thought that he would ever see the stranger again.

The Story He Told

SEVERAL days later this same stranger stood before the assistant cashier's desk again, and this is the story he told:

"I have been doing business with another bank in this city for more than eight years, and have always carried a good balance. This bank is located just a few doors from my place of business. When I called here the other day and asked you to give me the legal rate of interest for Indiana, and also when a note outlaws in that state, I had just come from my own bank. I had gone there expecting to receive the kind of attention to which I felt that I was entitled, having been a depositor there so many years.

"After waiting before an officer's desk for several minutes while the officer continued a discussion he was holding with his stenographer, I was then asked what I wanted. I told him, and, after waiting for several minutes more while this officer fumbled nervously through a row of books on his desk, he turned to me and announced that he would have to look up the answer to my question in a law book, and that he would either write me or that I could call back later in the day.

"Of course, I was disappointed because my bank couldn't tell me, so I came directly over here. I was curious to know how other banks treated their customers and how they treated strangers. It didn't take me long to find out. When I left here the other day I was thoroughly convinced that this is an accommodating bank. I am opening an account with you today for $500, but my balance will run much higher."

Not with Gold or Silver

ON the first of the following month this new depositor transferred **$7,000** from his old bank, and later, when the bank was advertising for new real estate loans, he came in and offered the bank a good loan of $12,500 on very desirable property, a loan which the bank was glad to get.

(Continued on page 701)

The Liberty Bond Situation

With a Summary by OGDEN L. MILLS

Undersecretary of the Treasury

No Further Large Scale Liberty Bond Operations Until 1932. Treasury Must Wait Four Years Before Next Wartime Issue Is Callable. Banks Will Have Let Up from Liberty Bond Pressure Which Was Evident During Past Two Years. What Treasury Did.

AN important chapter in the history of the public debt of the United States, more particularly in the history of its wartime loans, was brought to a close during the year just ended. As a result of Treasury refunding operations begun in 1927 and concluded in 1928 the number of Liberty Loan issues outstanding was cut in half.

Late in 1928 the Treasury completed the program which resulted in the retirement and refunding of some $5,000,000,000 of second and third Liberty bonds. Only two issues of Liberty bonds, the first and the fourth, remain.

This development in the public debt is of considerable significance to the banks of the country. For two years the Treasury has been steadily at work upon Liberty bonds—calling them, exchanging new issues of Government securities for them and retiring them by redemption. These activities have made work for the banks whose customers were Liberty bond holders. In virtually all the banks and trust companies of the country the refunding of the second and third issues of Liberty bonds gave rise to many problems concerning investments and reserves.

Four Years Off

NOW the banks are to have a rest. It will be four years before the Treasury can again undertake any major operations in connection with Liberty bonds. The first Liberty loan, of which there are bonds to the extent of some $1,900,000,000 outstanding, is not callable until 1932. The fourth Liberty loan, with $6,300,000,000 outstanding, is not callable until 1933.

Thus for four years the extraordinary activity of the Treasury in connection with Liberty bonds will disappear. The annual public debt operations of the Treasury will tend to reduce the outstanding totals of the remaining Liberty bond issues somewhat before maturity but these activities will in no way compare with the continuing program of the past two years.

Largest Single Operation

HOW this two-year program was brought to a close during 1928 is described by Ogden L. Mills, Undersecretary of the Treasury, who says:

"The largest single operation in Treasury finance during the year was the retirement of the third Liberty Loan, which matured on Sept. 15, thus completing the operation begun in 1927 during the course of which over $5,000,000,000 of second and third Liberty loan bonds were retired or refunded. There were outstanding at the beginning of the year $2,147,653,150 of third Liberty loan bonds. During the year and before maturity, $817,779,900 of these were exchanged for other issues and $680,319,100 were purchased and retired for the sinking fund and from surplus money. The balance, redeemable at or after maturity, totaled $649,554,150. All of the third Liberty loan bonds have been presented and retired except some $50,000,000 which have not yet been presented for payment.

"On the basis of the above statement and computing the saving only on actual exchanges for other issues and on retirements for the cumulative sinking fund and from surplus money, an annual reduction in interest charges of $34,152,819 was effected, which is partly offset by the higher rates borne by the short term certificates issued in September and October.

Years of Plenty

"THE method followed in disposing of the third Liberty loan maturity was in accordance with the established debt payment program, under which the debt of the Federal Government was reduced more than $905,000,000 during the fiscal year ended June 30, 1928. It has been the policy of the administration to take advantage of the years of plenty to pay off as much of the debt as practicable each year, and to refund as much as possible at lower rates of interest. In accordance with this policy, the gross public debt was reduced from $23,979,000,000 on March 31, 1921, to $17,604,000,0000 on June 30, 1928, or about $6,500,000,000.

"The management of the debt during these years is a practical demonstration that one of the surest means to reduce taxes is to reduce the annual outlay for interest charges by systematic and persistent reduction of the debt. From now on, however, we must face new conditions. We must rely on the sinking fund and foreign debt payments to effect a steady reduction of the debt. We shall not have additional large surpluses as heretofore to apply to debt reduction. The several tax reduction measures and the practical completion of the sale of capital assets left over from the war set rather definite limits to our future receipts; and for a growing, progressive country such as the United States some increase must be expected in future expenditures.

Outward Gold Movement

"THE interest rate upon new issues of securities sold by the Treasury during the past year increased steadily until October, 1928. Thus the certificates issued in March bore rates of 3¼ and 3⅜ per cent; those issued in June, 3⅞ and 4 per cent; those issued in September, 4½ per cent; and those issued in October, 4¾ per cent. The increase was due to the credit conditions resulting from the heavy outward gold movement which began in September, 1927, and terminated in July, 1928, accompanied by an expansion of bank credit. The net loss in gold stock on account of exports and earmarkings during this period was approximately $500,000,000. Coincident with these gold exports the Federal Reserve banks were called upon to provide an equivalent amount of Federal Reserve credit. The increase in Federal Reserve credit took the form of an increase in borrowing by member banks.

"The traditional reluctance of the American banks to remain in debt and the policy of the Federal Reserve banks to discourage continuous indebtedness were reflected in increased money rates and in the yields that had to be offered to effect sales of new issues of Government securities. The coupon rate of 4¾ per cent on the certificates issued as of Oct. 15, 1928, was higher than any that had been offered on Federal issues during about five and one-half years, or since May 15, 1923. Conditions were such in December that the Treasury felt justified in offering nine and twelve months' certificates bearing 4¼ per cent interest.

"The outward gold movement had far-reaching effects abroad. It contributed to the restoration and fortification of the gold basis of the currencies of the various countries. The gold standard for currencies is firmly established today. The stabilization of the French currency, which was effected in June, 1928, practically completed the monetary reconstruction of Europe."

During the first six months of the current fiscal year of 1929 the public debt was still further reduced by a total of $294,000,000. The total outstanding on Dec. 31, 1928, was $17,310,000,000.

A New Force in the Money Market

By W. RANDOLPH BURGESS
Assistant Federal Reserve Agent, Federal Reserve Bank of New York

Acceptances Assume New Significance to Banking of Tomorrow. Change in Act Foreseen to Make Them Eligible for Rediscount by Federal Reserve Banks If Security Selling Is Carried to Extreme by Business. Broadening of Bill Market is Expected.

Demands Attention

FOR years the orphan of the American security market, the acceptance, has steadily grown as a basis for credit and there is now $1,000,000,000 *in these bills outstanding. Dr. Burgess shows what acceptances are coming to mean to banks in general, their importance in the credit structure of the nation and where they fit into the open market operations of the Federal Reserve System. A new factor in the field of finance is definitely demanding attention.*

AT the time of the passage of the Reserve Act there was some general recognition of the desirability of a discount market in the country, and there were a few who knew something of the principles of open market operations in government securities. But the number of those in this country who fourteen years ago had any real understanding of these two phases of open market procedure of banks of issue was very limited indeed.

These fourteen years have witnessed an extraordinary experiment in the use of both methods in a completely new setting. The experiment with a bill market began not many months after the organization of the Reserve banks.

The experiment in operations in government securities did not truly begin until about 1922 and was not completely self-conscious until 1923. But in both operations we how have behind us sufficient experience to warrant certain tentative conclusions as to results and to raise certain questions as to future procedure and policy.

Without Risk

TURNING first to the bill market, the most important conclusion is that we have been successful in establishing a bill market in this country which has this year again reached a new record size in the volume of bills handled and now probably handles nearly as large a volume of bills as the bill market in London. In this market is financed a large part of our foreign trade, a considerable volume of overseas trade that does not touch our shores, and a smaller volume of domestic trade and storage of goods.

The American exporter or importer can now finance his transactions at home at a reasonable rate without risk or cost of exchange; the investor has been given a new sound and liquid form of investment; foreign funds here in particular have found a desirable employment; the American bank has gained a profitable business both in acceptance operations themselves and other business to which they have led. It has been a great and successful venture in finance.

The acceptance market has made a number of important contributions to general credit conditions in this country. It has enabled outlying districts to tap the central money market for funds, and has promoted a free international flow of funds. But to my mind one of the most definite of such contributions is that Reserve funds are called into use to provide a method by which Federal Reserve banks meet seasonal autumn needs.

Every autumn, crop moving and holidays require the addition of $200,000,000 to $300,000,000 in the country's currency circulation. Before the passage of the Federal Reserve Act this extra currency was drawn from bank vaults, particularly in reserve cities, reduced bank reserves, and caused an autumn credit strain and higher money rates. Under present conditions there is hardly any autumn credit strain.

A part of the reason is found in the ability of banks to borrow at the Reserve banks to meet the extra currency demand. But additional borrowing is usually accompanied by firmer money. If the banks had to meet all the autumn requirements by additional borrowing, we should still have an autumn credit strain. What actually occurs is that in the autumn the amount of bills increases beyond the absorptive power of the market and they overflow into the Reserve banks (which follow the policy of standing ready to buy the market's surplus bills). Thus additional Federal Reserve funds are put into the money market without member bank borrowing.

The immediate effect on the money market is much the same as a gold import. The amount of Federal Reserve funds called into use by this autumn overflow of the market's surplus bills into the Reserve bank has for some years past provided on the average about two-thirds of the autumn requirements for Federal Reserve credit. It may be said truly that the operations of the bill market are largely responsible for eliminating the old autumn credit strain.

Market Gained Funds

THE experience of the past autumn is illustrative. In August and September money rates were decidedly firm, but instead of growing firmer still as the autumn advanced they eased slightly in October and November. Between August and November there was an increase in the requirement for Federal Reserve credit for currency and bank reserves amounting to about $200,000,000, but this increase in demand had no effect upon money conditions because the acceptance holdings of the Reserve banks were increased by about $300,000,000.

Because of a large volume of bills in the market and the high level of money rates, together with considerable liquidation of bills by foreign banks of issue, this large amount of acceptances found its way into the Federal Reserve banks. The net result was that the money market gained funds instead of losing, and money rates instead of becoming firmer became temporarily slightly easier.

Purchases of bills by the Reserve banks were exceptionally large this year, for the reasons indicated. Ordinarily bill purchases are less than the total increase in requirements for Federal Reserve credit and member bank borrowings are increased $50,000,000 to $75,000,000 over this period. The increase in bill holdings is usually just sufficient to prevent any considerable firming in money conditions, and thus ordinarily acts as an important stabilizing force in the money market at the period when crops are being moved and holiday trade is getting under way

The citing of this year's experience in the bill purchases of the Reserve bank compels us in candor to discuss one less satisfactory feature of the present development of the bill market in this country, for the experience of this last autumn illustrates the truth, which I think all students of the market recognize that the American bill market is too dependent upon the Federal Reserve System.

The investment demand for bills is so small that at times the Reserve System finds itself in the dilemma of either starving out the bill market or putting more of its funds into the money market than other aspects of credit policy would suggest.

Last autumn, the volume of bills created was larger than ever before. At the present level of money rates almost the only demand for these bills has been from foreign buyers. If the Reserve banks had not been willing to follow their usual policy of taking at their buying rate the surplus of bills offered to them, the dealers would have been forced either to refuse to purchase new bills at all, or at rates so high as to be prohibitive.

On the other hand, the taking by the Reserve bank of bills offered involved putting into the money market something like $100,000,000 more than seasonal credit needs required, which was used by member banks to liquidate a part of their indebtedness, and thus tended, in conjunction with gold imports, to ease slightly the money situation.

Early in the autumn the Reserve System faced the dilemma of either starving out the bill market or else giving such substantial support as would tend to ease the money market. The System decided in favor of continuing to take bills rather freely. I think it is a reasonable interpretation of motive to say that this decision was influenced by the desire to assure an adequate supply of funds at reasonable rates for the autumn requirements of business and agriculture.

Time Will Help

BUT the American acceptance market cannot be considered in a permanently satisfactory position while it is so largely dependent upon the Reserve banks. In saying this, I recognize that the acceptance market in any country is dependent on the bank of issue in emergencies. But the market in this country is in a different position from that of other countries in depending so largely upon the bank of issue for its regular supply of funds.

Natural development will, I believe, operate gradually to improve the position of the acceptance market. The market is still young and a great many bankers and other investors in the United States are still ignorant of its very existence. Time will help to correct that difficulty, but there are other tendencies at work which should broaden the market for bills.

The amount of government securities outstanding is gradually diminishing. As the supply decreases it is reasonable to believe that the rate of yield may decrease relative to other market rates. Under these circumstances corporations and individuals now buying government securities may become investors in bills. It must be remembered also that the country's wealth and investment capacity will increase year by year.

Changes in Methods

ANOTHER tendency which may well broaden the bill market is a gradual decrease in the amount of eligible commercial paper held by the banks of this country. Since 1920 the amounts of eligible paper held by national banks have diminished from $4,500,000,000 to less than $3,500,000,000, or from about 25 per cent of total loans and investments to about 15 per cent, and the tendency is continuing.

This is due undoubtedly to changes in methods of business finance. Urged on by bankers, many business concerns have liquidated their bank loans by selling securities. How far this tendency will go, no one can say. It depends in part upon money market conditions, but it is favored by current low yields on securities, by the profit bankers make in these financing operations, and by the freedom from obligation to banks which it gives business men.

In its definition of the eligibility of paper for rediscount, the Federal Reserve Act hardly contemplated this change in American financing methods. Carried to an extreme, these changes may make necessary some modification of the Reserve Act. They will certainly tend to broaden the market for bankers acceptances as banks find it increasingly necessary to consider the proportion of their assets which is eligible for rediscount.

For these reasons there appears to be ground for hoping that the continuation of present tendencies will naturally lead to an increase in the number of buyers of bankers acceptances and a decrease in the dependence of the market upon the Reserve banks.

"Bad Money"

FOR another aspect of the market's development it is less easy to see the path of progress, and that is the supply of funds at reasonable rates to acceptance dealers. The security markets in this country absorb so completely the supply of day-to-day money that there is little left over for the acceptance market.

What is called "bad money" in London, money going begging at the end of the day, is practically non-existent in our market. This condition of affairs is due to the widespread practice in this country of buying securities on margin and borrowing most of the money from day to day.

One of the largest of the London stock exchange houses reports that it has only five customers trading on margin, whereas in this country I suspect we have as many as five stock exchange houses with at least 10,000 customers apiece trading on margin. I do not know whether under these circumstances it will ever be possible to rearrange our money market in such fashion that day-to-day funds will not all be absorbed in stock speculation.

Huge Gyrations in Prices

WE pay the penalty for our methods by huge gyrations in security prices, which bring with them widespread social and business disturbances. It may be that in time the present tendency to increase the margin requirements for stock speculation will proceed to a point where this use no longer absorbs so large a part of our surplus day-to-day money, but there is no present prospect of so delightful a solution of our problems. It may be that the introduction of short-term settlements on our stock exchange will, as a by-product, give us a supply of cheap day-to-day money for the bill market.

This much, however, is sure: that the present organization of our money market is not one to be viewed with entire complacency. We should be able by study and experiment to improve it, and I should like to suggest that the banks issuing acceptances, and in that and other ways profiting from the market, have a peculiar responsibility toward the market. The future growth of the market will depend considerably on the rapidity with which these banks recognize the importance of buying bills themselves and supplying the bill market with funds.

Bills Often Declined

TRANSACTIONS of the Federal Reserve System in United States Government securities differ most notably from transactions in bankers acceptances in the location of the initiative of the operation. Bill dealers and banks initiate the sale of bills to the Reserve banks, and the Reserve banks in these operations are to a large extent passive. Ordinarily they stand ready to take bills at their buying rates. They feel something of the same obligation in taking reasonable amounts of bills from banks and dealers that they feel in extending reasonable accommodation to member banks. The bill market is dependent upon some such support.

This does not, of course, mean that the Reserve banks never refuse to take bills. Bills are often declined, particularly if they are green, newly made with distant maturity. It is also true that rediscounts are sometimes discouraged when a bank has been taking more than its share of credit from the Reserve System or borrowing for extended periods.

In contrast, government securities are purchased largely on the initiative of the Reserve banks. This is not completely true because the Reserve System has some obligation to dealers in government securities, because of the importance of the existence of an open market for these securities, and often find it

(*Continued on page* 708)

York Vaults

Increase in business follows erection of York equipped building

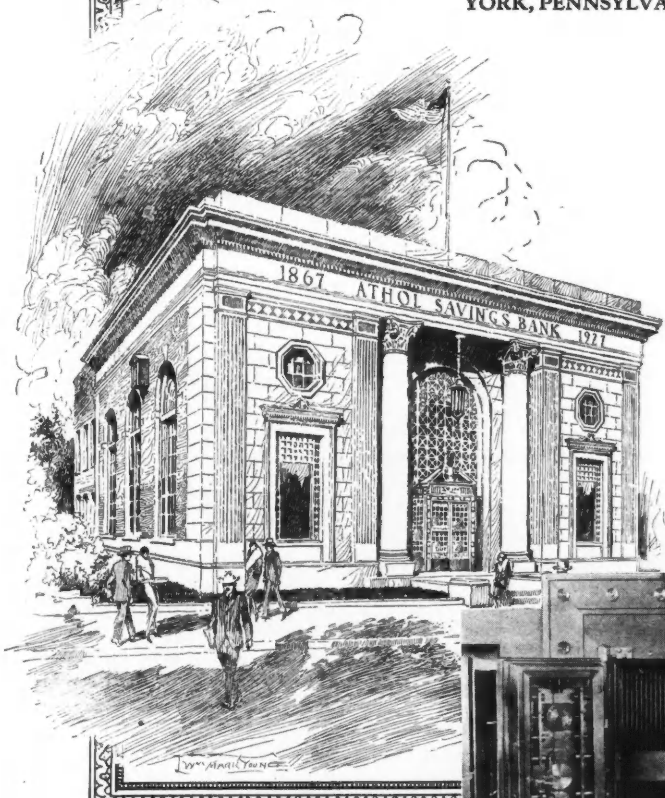
In the spring of 1928, the Athol Savings Bank, Athol, Mass., built a new banking home and equipped it with two York vaults. A steady growth in business has followed.

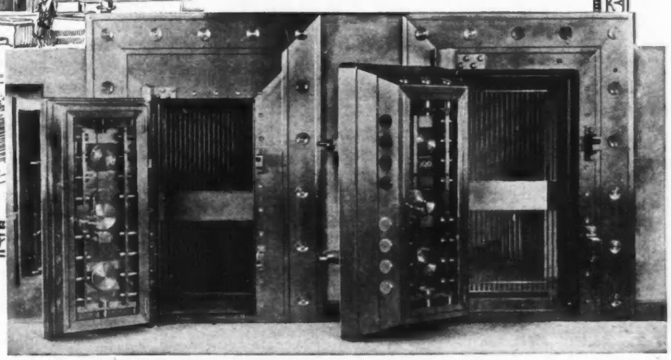
The two vaults, side by side, present an unusually attractive appearance. The Safe deposit vault is equipped with a heavy rectangular entrance and a steel lining. Safe deposit boxes of several sizes have been installed to meet the requirements of the clients of this institution. The securities vault is also protected by a heavy rectangular vault door.

The York organization is ready to extend equally satisfactory service to your bank. Write to our nearest branch office for detailed information.

YORK SAFE AND LOCK COMPANY
YORK, PENNSYLVANIA

BALTIMORE
BOSTON
CHICAGO
CLEVELAND
HOUSTON
LOS ANGELES
MIAMI
NEW HAVEN
NEW YORK
PITTSBURGH
PHILADELPHIA
ST. LOUIS
SAN FRANCISCO
SEATTLE
WASHINGTON
HONOLULU
HAVANA
MONTREAL
PARIS
TOKYO





New building and York Vaults of the Athol Savings Bank, Athol, Mass. J. William Beal Sons, Architects. Taylor Wheeler Company, Contractors.

Broadcasting Brought Business

By MARK B. PECK
Vice-President, Griswold-First State Bank, Detroit

Astonishing and Immediate Results Followed a Series of Weekly Talks on the Air in Which there was Included an Offer. Bank Finds Experiment Produces Steady Growth in Accounts. Listeners-in Like Lessons on Finance Pointing the Way to Independence.

IF you have a message you want to put over, you must either draw a crowd to yourself or go where the crowd is.

Take Detroit, for instance. Our bank realized what a splendid thing it would be to give some friendly financial advice, at frequent intervals, to as many hundred thousand of Detroit's citizenry as possible. The officers of the bank were persuaded that, if the right kind of advice were given to the masses, "touching on and appertaining to" ways and means to promote their financial progress and well-being, an interested audience might be assured.

Now, had we hired the largest hall in town and spread the invitation abroad through usual publicity measures, we would have no doubt, talked to many empty seats. After a hard day's work people are disinclined to go blocks or miles just to hear someone talk. Especially in these modern days when without stirring from their firesides, they can turn a dial and take their choice of entertainment, enlightenment, or education.

Went Right to Them

THE radio is giving a new meaning to the word "crowd." Instead of an assemblage of people in one place it may well be visualized as an assemblage at numberless places, all listening, however, to the same voice or sounds. In Detroit alone there are about 265,000 receiving sets, with probably an average of from three to five listeners each. That is a mighty crowd, in the aggregate a vast assemblage. And beyond the fringes of that circle is another vast crowd, throughout Michigan, over into Canada, down into Ohio and, as we have reason to know, even in more remote states.

There was our crowd, among them many of the thousands of depositors of the bank. We have reason to believe that many of our own depositors were in the crowd to which we went, once a week, in thousands of homes. And instead of trying to draw them together, we went right to them, finding, we are assured, a hearty welcome.

Systematized, planned-in-advance broadcasting for thirty-odd weeks has turned the medium of the radio, at least with our bank, from a speculation into a certainty. Let me tell first, in part, what it has accomplished so far, for we are keeping right on; then I will describe the medium we used.

Radio Surprises

A SIMPLE recital of the results obtained by a bank that went on the air regularly and reached an army of depositors in their homes through the medium of the loud speaker. As a business getter the radio proved a surprise and, what may be a surprise to many banks, the reactions to bank broadcasting are capable of definite proof as to value. There is food for thought in this article.

Of special interest is the effectiveness of the plan to get action from the audience.

New Accounts Increase

PARTLY in order to test the public reaction to radio talks, and partly to help interested listeners get a more lasting benefit from them, we had the announcer offer, at the close of each talk, a pocket "Guide Book to Independence." This booklet contains the ten rules of economic independence and personal financial success, which form the background, or the "heads" of the talks. Each of the rules is elaborated on succinctly in the booklet.

It was stated clearly by the announcer at the close of each talk that anyone could have a copy of this pocket Guide Book on request at the savings department of the main bank or any branch. It was also stated that anyone who could not call conveniently might send his request by mail, accompanied by a self-addressed return envelope. We did not ask that it be stamped.

Since the bank began broadcasting, nearly 10,000 people have found their way to the savings department of the main bank or of a branch, or have written in for copies of the Guide Book. Judging from the great increase in new accounts, it is obvious that many made their call the occasion, also, of opening accounts. Many depositors also asked for their copies when making deposits.

Reaction Astonishing

ON the evening of Nov. 5, 1928, the night before election, when we were competing with Hoover, Smith, Hughes, and other political speakers; and when, also, the populace was agog over politics, we delivered a talk of unusual interest. It suggested a plan whereby one could create a $13,000 family estate on a foundation of weekly deposits of $5. The idea is to start with a moderate amount of life insurance, and deposit five dollars a week for five years. After paying the premium, invest the balance each year in good bonds, adding the bond interest to the fund being created. At the end of five years, with a presumably larger income, the weekly deposits are to be increased to ten dollars, and more insurance taken. It was shown how, by this process, bonds and insurance might be acquired on a ten-year program approximating $13,000.

As the nature of this particular talk demanded the quotation of some figures, it was realized that about all that could be accomplished on the air was to show results in a general way, and get people thinking. However, in order that persons really interested might have an opportunity to study the plan in detail, reprints of the talk were made, and with some trepidation an order for 2,500 copies was given the printer. Up to date 12,000 copies have been used.

The reaction to this talk was astonishing. More than 9000 listeners either called or wrote for copies of it. The applicants were about equally divided between men and women. The life insurance underwriters requisitioned many thousand copies, but this distribution was confined to about 200 each. One agency alone asked for 3000 copies.

One underwriter reported that he was in the home of a prospect listening in while the talk was being delivered, and that it was largely instrumental in his closing a $50,000 life insurance trust.

(Continued on page 698)

Potential Powers of Federal Reserve Rates

By W. M. KIPLINGER

Drastic Credit Control Policy Proposed for Reserve System. Thought Within System Turns to Possibility of Influence on Money Market Being Enhanced by Sharp Changes in Rediscount Rates Instead of Gradual Upward Adjustments As In the Past.

IT is easy to say that the Federal Reserve System "failed" to control the use of its credit and to prevent the diversion of its credit into stock speculation during the past year. There is no outright way of denying the assertion except with qualifications, which in themselves constitute an explanation that the Federal Reserve System is not so organized nor empowered as to exercise as close control over the use of its credit as many would wish. Thus a qualified denial becomes a qualified admission.

Without going into the complicated question of whether the System has or has not controlled credit beneficially to the interest of the entire country, certain points need be given careful consideration now that another year has begun.

The high volume of brokers' loans a year ago was responsible for the LaFollette resolution, yet the present volume is so much higher as to make the figures of that time seem almost trifling. This is not escaping attention in Congress. The critical attitude represented by the LaFollette resolution still remains.

Legislation Doubtful

THE LaFollette resolution proposed "that the Federal Reserve Board should immediately take steps to restrict the further expansion of loans by member banks for speculative purposes, and as rapidly as is compatible with the financial stability of the nation require the contraction of such loans to the lowest possible amount." The resolution also proposed that the Federal Reserve Board recommend legislation, if any is needed, "to prevent the future use of the funds and credit of the Federal Reserve System for speculative purposes."

The LaFollette resolution was not adopted, but the idea behind it is still active, as, it is expected, will be demonstrated during the current session of Congress. It seems doubtful that there will be any important legislation on the subject this winter, but the persistence of the question makes it entirely probable that there will be some new legislation in the new Congress, a year hence, bearing upon the control by the System of its credit.

A Radical Departure

REDISCOUNT rate increases of the future made mainly for the purpose of checking speculative activity in the stock market or in any other field of enterprise may be by a full 1 per cent, according to Mr. Kiplinger. This would be a radical departure from the past policies of the Federal Reserve System under which rate increases have been made by ½ per cent at a time. The effect of such a change would be to increase substantially the System's influence over brokers' loans.

Whether ultimate legislation will be drastic or mild and conservative depends somewhat on the future course of the stock market, the effect-to-be-demonstrated of the use of great volumes of speculative credit on industry, agriculture and trade (omitting stock dealing for the present from the term "trade"), and the activity of thought among conservative financial authorities on the subject of what degree of control could and should be exercised by the Reserve System. "Could" and "should" are two separate questions.

Speculators Undeterred

THE "could" question comes first. The Federal Reserve System probably has not used its positive powers as forcefully as it might have done during the last year. Negatively it has tried to restrict the total volume of credit, of which a large portion was known to be headed for use in stock speculation. It has permitted the outward flow of $500,000,000 of gold without pumping additional credit into the market through purchase of government securities. The wise heads in the System thought the natural effect of a smaller credit base would be to diminish the volume of credit superimposed on it sufficiently to tighten money. So it did. Tight money did not result, however, in a net handicap to stock speculation. At least the handicap was not evident, although doubtless the tide of speculation would have been even stronger if the System had not adopted its negative restrictive measures.

Warnings were used gently. Spokesmen for the System repeatedly said in public that, although it was not their responsibility to control the stock market, yet a relative inflation did exist, and those who chose to speculate must expect to do so at their own risk and with full knowledge that the credit structure was overexpanded. This did not deter speculators. The force of speculation was stronger than the force of guarded admonitions.

Future Policies

THE rediscount rate was applied, being raised by easy stages of ½ per cent three times, from 3½ to 5 per cent in eight districts of the east, the four western districts stopping at 4½ per cent. The important point for consideration at this time is that the increases were by only ½ per cent at a time. If the men in control of the System had it to do over again, they might have jumped the rate from 4 to 5 per cent. This was suggested by some at the time, but caution prevailed, prompted by the thought that the gradual tightening would have substantially the same effect as a drastic 1 per cent increase. Now, with hindsight, it is apparent that increase from 4 direct to 5 per cent would have magnified the warning voice of the System managers many times over.

It is not unlikely that this is one lesson, learned from the unprecedented conditions of the past year, which will have a permanent place in the future policies of the System. Rediscount rate increases made mainly for the purpose of repressing inflation in the stock mar-

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The Condition of Business

Optimistic Forecasts Prevail for Industry and Trade. High Money Rates and Strained Credit Situation Disregarded. Corporation Earnings in 1928 Will Aggregate Ten Per Cent Above 1927. Bond Market is Under Pressure and New Financing Curtailed.

AMID the flood of optimistic year-end forecasts for industry and trade there seems to be a disposition to sidestep the money market problem entirely, or, at best, to pass over it with the assurance that after the turn of the year normal rates will doubtless again prevail.

If there was any doubt during the past several weeks as to whether the limit of credit expansion was being approached, the danger signals of high prices should by this time be plain. There appear no grounds for expecting or hoping for any material easing in the money market unless and until there occurs a reverse movement of one or more of the factors that caused the over-expansion, namely, decreased commercial loans, import balance of gold or liquidation of secured loans.

Fundamentally Sound

IT is a source of satisfaction, however, to know that in the face of whatever developments may come in the money situation and the stock market, general business conditions are fundamentally sound, including the whole range of manufacturing and trading industries with few exceptions. Industrial activity reached a high level last fall and still holds the pace. Steel production exceeded 50,000,000 tons for the first time in history. Automobile manufacturers are announcing plans for expansion in plants and production, and 8,000,000 cars and trucks would be turned out this year if the schedules are adhered to, which they will probably not. Copper producers have integrated their industry, controlled production, cooperated in exporting and are enjoying real prosperity. Building construction has grown fourfold in a decade and 1929 may see some slowing up, since mortgage money cannot compete with Wall Street.

Retail trade had a big Christmas season and the full year's sales will show an average gain of perhaps 15 per cent for chain stores, department stores and mail-order houses. Stock-taking at the beginning or end of this month will doubtless show inventories moderate, for hand-to-mouth buying is maintained. Wholesalers and independent retailers are put to making more thorough studies of their merchandising problems than ever before.

Industrial profits as a whole for 1928 should aggregate about 10 per cent better than 1927, and slightly above the previous record year, 1926. Public utilities continue their steady gain, and railroad earnings recovered to about midway between 1927 and 1926.

Industrial Production at High Pace

FEW years have started off with industrial production at such high pace. November and December attained new records in numerous lines and the steady gain from the mid-year was broadly distributed, the only laggards being cotton, silk, chemicals and lumber.

Leading copper producers have integrated the industry in large degree, which, combined with their better control of mining and smelting output and their cooperative export organizations have resulted in the highest metal price in several years.

Steel furnaces in 1928 produced more steel than in any other year in history, exceeding 1927 by approximately 14 per cent and amounting to 50,000,000 gross tons for the first time. Over the holidays there was less than the usual lull, and the strength of prices of pig, scrap and finished products as well as a large back-log of unfilled orders, forecast an active first quarter this year. Farm implement sales continue to gain and it will take years to modernize farm equipment throughout the country.

Most impressive plans for automobile production are being announced with the majority of companies expanding plant facilities in order to increase output, lower costs and meet competition. If each individual company should produce as many automobiles and trucks in 1929 as is now "estimated," their combined total would be millions more than have been sold in any year. Ford has steadily stepped up production to 7,500 units daily and may make about 2,100,000 cars this year, of which 300,000 will be sold abroad. In the first year of the new model, ended December 2, sales amounted to 704,699 cars and trucks.

Chevrolet plans to produce over 1,250,000. Willys-Overland announces a schedule of over 600,000. So on down the line of leading producers—Buick, Chrysler-Dodge, Hudson-Essex, Studebaker, Pierce-Arrow, Nash, Packard, Chandler-Cleveland, Cadillac, Oakland, Oldsmobile, Hupmobile, etc. Easily 8,000,000 to even 10,000,000 cars and trucks could be produced if all plants run at capacity, or more than twice the number ever sold in a year. Competition for markets will doubtless force a curtailment of such optimistic schedules even before the spring buying season arrives. Export trade is absorbing an increasing number of cars and trucks but demand from this quarter in 1929 can hardly be expected to exceed 500,000 cars.

Building construction attained a new record in 1928 with contract awards approximating $7,000,000,000. In ten years the nation's building expenditure has grown fourfold. With high money rates curbing speculative building in the cities, the current year will do well if it equals 1928, even though certain large engineering projects now contemplated, such as the electrification of eastern railroads, offset any decrease that might occur in the building of residences, offices and factories.

Petroleum and gasoline output continues to establish new records each year and there has been some recovery in both prices and earnings. Cooperative action among leading producers to control drilling will assist in stabilizing the industry. On the other hand, the recent discovery of new fields rather discourages hopes of material improvement in the immediate future.

Retail Trade Closing Big Year

JANUARY 31 is the natural fiscal year for retail merchandising organizations since December, with its holiday trade, usually brings the largest sales, and is followed by clearance sales in January so as to liquidate inventory and pay off accounts and notes before drawing off annual statements.

It is very difficult to secure exact information as to the situation of the independent retailer, but such reports as are available indicate that his business is fair, with, of course, numerous good and bad exceptions, but that the large chains and department stores hold their advantage.

Reliable estimates place the gain in sales of these large organizations at around 15 per cent for the year, and the same would apply to Sears Roebuck and Montgomery Ward, which are opening chain stores to regain the loss in volume suffered by the mail-order departments.

Christmas buying is reported up to expectations and the sharp break in the stock market apparently occurred too late in the month to have any serious effect on holiday buying.

This year will see more attention given to distribution problems than ever before. Old-time merchants are being forced for the first time to analyze their own business through every detail, the same as the technical and sales research departments of progressive manufacturing organizations have been doing. Congress will doubtless appropriate several million dollars for taking a Census of Distribution, similar to the Census of Manufactures. Trade associations of wholesalers, jobbers, retailers are, with few exceptions, studying their particular lines in a scientific way, establishing standard ratios of inventory turnover, credit extension, advertising and selling expense, depreciation charges, plant output, profit on sales and return on invested capital. The most important part of a general store used to be the stove; now it is the budget.

Managers of food purveying chain store systems throughout the United States see present conditions as exceptionally sound and as preparing the way for a nation-wide era of unparalleled prosperity in 1929. A symposium in the last issue of *Food Chain Store Merchandising* reveals a unanimity of optimistic opinion. Different executives emphasize the favorable conditions from the standpoint of politics, agriculture, manufacturing, trade, and labor—all pointing to a greater national prosperity than we have yet experienced.

Profits Increase But Irregularity Persists

THERE seems no necessity to revise our forecast of last month that corporation profits in 1928 will run approximately ten per cent ahead of 1927, and probably will exceed the record year 1926, by a small margin. Such reports for the full year that have already been published, including concerns whose fiscal period ends November 30, October 31, etc., are in line with expectations. Following is a tabulation of reports issued to date, containing some fifty industrial and trading corporations representing various lines, also preliminary figures on railroads and public utilities:

The Fallacy of Restricted Production

THOSE who have followed these tabulations during the current year will recall that the 1927 reports as compared with 1926 showed the same sort of irregularity, but in different lines. In 1927 there was a severe slump in earnings of steel companies, oil producers and meat packers, but this was offset by gains in the cotton and woolen industries, sugar and rubber.

This year, however, the situation has again shifted. The sugar industry has fallen back again into real depression, as a result of the break-down of Cuba's scheme of restricting production. It is as remarkable as it is distressing, how this imaginary cure-all, predicated on artificial regulation and economic fallacies, is tried in one industry after another, by one country after another, always with the same, inevitable, disastrous results. If we live to see the day when this heroic but pathetic resort will not be tried by so-called practical business men, zealous legislators and the impatient, well-meaning public, it will be a Golden Age indeed.

A year ago crude rubber was selling around 42 cents per pound; two or three months later it was 18 cents. Naturally the tire manufacturers who had made large commitments for future supplies were caught, and suffered terrific losses the first half of the year which were only partly made up in the second semester. After having been caught in the same way only a few years before, one would think that these large companies would not be loaded up with raw material future contracts, at a time when there was no possibility of a shortage, when the British Stevenson Act had broken down and its abandonment certain.

Cotton goods manufacturing also suffered a setback, due to overproduction and restricted demand. On the other hand, petroleum earnings turned upward, also iron and steel machinery and electrical equipment, while the gain in copper mining was particularly good. Amusement companies are doing very well, and such lines as chain store merchandising and foodstuffs maintain their steady growth.

Railroad earnings made an even greater recovery during the last half-year than was anticipated, while the light and power systems, also the associated telephone and telegraph systems gained 10 per cent on an average.

Repeatedly have we emphasized this selectivity in industry, illustrating the constant readjustment going on in individual lines in contrast with the former general swings in cycles of prosperity and depression. Our securities markets have been broadened in the same way—hence the striking situation of a single day witnessing a score of new highs for certain issues and new lows for others. This is the new economics, the new theory of stabilized prosperity.

Corporation Earnings

No.	Industry	Fiscal 1926	Years—000's Omitted 1927	1928
3	Amusements	$5,704	$7,591	$12,758
5	Apparel, etc.	2,542	2,116	1,862
3	Auto accessories	2,793	3,981	2,779
4	Cement, glass, etc.	10,317	7,261	4,282
3	Chemicals	6,264	7,295	8,864
1	Coal	546	599	728
4	Cotton	Def. 1,177	2,207	1,059
1	Flour and bakery	995	1,099	1,565
2	Food prod.—misc.	5,481	3,853	4,931
1	Heating and plumbing	836	Def. 51	540
1	Leather and shoes	1,324	1,881	1,452
3	Machinery	4,531	3,841	4,775
1	Meat packers	4,053	2,354	2,567
1	Merchandising	1,568	1,671	1,508
1	Metals—non-ferrous	782	367	65
1	Printing and publishing	346	396	475
4	Rubber	6,920	15,769	8,380
1	Silk	153	272	385
8	Sugar	Def. 1,684	9,045	6,186
1	Tobbaco	1,178	940	634
1	Miscellaneous	263	296	339
50	Mfg. and trading	53,735	72,783	66,132
185	Railroads	1,231,791	1,085,917	*1,156,145
87	Tel. and tel.	206,577	230,540	*250,636
95	Other pub. util.	715,153	775,177	*859,000
417	Grand total	$2,207,256	$2,164,417	$2,331,913

*Preliminary.

High Money Rates Confirm Credit Strain

IF any bankers, and brokers, too, are not yet convinced that the credit situation is strained, an examination of prevailing high money rates will show that this banking barometer or thermometer indicates an abnormal condition, persisting for several weeks now.

Fluctuations occur daily and hourly, but the following table of interest charges at the beginning of the new year shows a striking contrast with January, 1928.

	1928	1929
Call loans	5	15
Time loans, 90 days	4⅛ @ ¼	7¾
Commercial paper, best	4	5½
Bankers acceptances, 90 days	3½	4¾ @ ⅛
Call loans against acceptances	4½	7
Federal reserve rediscounts	3½	5

Such rates as these are obviously abnormal. They are not commonly found in a period of prosperity, unless it be in the final stages. According to past experience it would appear that such a "temperature" cannot be endured indefinitely either by a human or economic organization.

Probably the chief factors are four in number, none of them new, all of them familiar to readers of this review, to wit: (1) Rapid expansion of bank credit, principally in secured loans which have no definite maturity and are not self-liquidating. (2) At the same time a loss of gold reserves through exports, taking away the foundation of credit while the superstructure was being expanded. (3) Underlying conditions in manufacturing and trade undeniably sound, with an immense volume of production balanced to demand and earnings generally satisfactory. (4) Securities markets bid up by unprecedented speculation, out of proportion to probable earnings during the next year or two at least.

Out of the multitude of factors in the money situation that are being discussed

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New Uses for Anti-Trust Laws

By ABRAM F. MYERS
Chairman, Federal Trade Commission

Sherman Act Seen as Help Not Hindrance to Modern Business. Interpretation of Law Has Undergone Transition. Mergers or Consolidations no Longer Objects of Suspicion. Competitive Methods and Business Ethics Now Chief Field for Trust Law.

New Light

THERE is given here some new light upon an old, and sometimes sore, subject. Much has been heard against the Sherman Act, little in its behalf. The chairman of the Trade Commission shows how there has developed a need for anti-trust law as an aid to the development of better business practices, which make for better business conditions. New ideas replace the old-fashioned fear of big business. He describes a problem for which it is probably the only possible remedy.

ABOUT the time of each national election there springs up an agitation for the repeal or general overhauling of the anti-trust laws. The clamor has been increasing in intensity in recent years, and never was so great as during the recent campaign.

Economists, experts and pseudo-experts thunder their war cries for the scalp of the Sherman Law. From the outskirts of finance and trade come echoing shouts. Yet it is a striking fact that in the ranks of the articulate abolitionists but few bankers and business men are to be found. It is highly desirable, therefore, that the leaders of finance and industry should give this question their most earnest consideration before succumbing to the rallying calls of the vociferous.

The reasons for the Sherman Law were not economic merely, but were social and political as well. The prospect of monopoly privileges and the desire for promotion fees had led to the formation of so many huge combinations that there was a well-founded fear that all competition would be suppressed, that independent business men would become the mere servants of the combinations that had absorbed or crushed them, and that the public would be placed at the mercy of a few great kings of industry possessing the uncontrolled power to fix prices of the necessaries of life.

Practised Extortion

STRANGE as this language may seem it is but a paraphrase of the speeches of statesmen venerated for their balance and vision, and illustrates the extremes to which even the most conservative may be moved in inveighing against any threat to the national ideal of liberty, which has its foundation in the economic independence of the people.

It must be remembered that the trusts which gave rise to the basic anti-trust law were not organized to promote efficiency, effect economy or achieve cohesion. They were organized on a scale that was huge and were financed in a manner that was wild. They practiced extortion and oppression and their trails were marked by the bleaching bones of their competitors.

Neither was the Sherman Law aimed at trade association activities nor at cooperation between the members of an industry to promote healthy stabilization and to proscribe unethical and uneconomic practices, for the reason that such activities were comparatively unknown at the time the act was passed. That the Sherman Act both as an active weapon and as a deterrent had largely achieved its real purpose, no one will deny; that a return to the evils at which it was aimed is unthinkable, all will agree.

Formula Is Ideal

THE public policy of the United States, as gleaned from the statute books, is summed up in the formula "competition at home, combination abroad." The anti-trust laws while prescribing free and open competition in the domestic market, encourage combination in the export trade. On paper, the formula is ideal. Competition in trade and commerce to the water's edge, as a spur to efficiency and for the protection of our own citizens; combination in the foreign trade to meet the challenge of the state monopoly, the comptoir and the cartel. That it is successful is attested by the ever-increasing volume of American foreign trade, which is not due merely to the fact of combination, a privilege that has been availed of by surprisingly few industries, but to the salutary policy of competition which has kept American industry efficient and alert and has protected it against the mummifying effects of unified operation.

What are the hardships imposed on American business by the anti-trust laws which have given rise to so much clamor for their repeal? Are they real or are they imaginary? Certainly the anti-trust laws do not cramp the normal, orderly expansion of business. They do not prevent the consolidation of independent units for the promotion of efficiency of production and economy of distribution.

Rights Clearly Defined

THE Supreme Court has twice held that the Sherman Act does not prohibit the merging of competing plants for sound business reasons, regardless of the size of the resulting combination, so long as the power acquired is not used to oppress competitors or to exploit the public. Section 7 of the Clayton Act forbids the acquisition by one corporation engaged in interstate commerce of the whole or a part of the capital stock of another corporation similarly engaged, where the effect may be to substantially lessen competition between them, but does not apply to a case where the physical assets, and not the stock, are acquired. While this provision makes the bringing together of competing corporations a little more difficult, it has not proved an insurmountable barrier in any case where there was a will to merge.

Neither have the anti-trust laws prevented that degree of cooperation among independent business men which promotes stabilization and yet falls short of price-fixing and territorial agreements. The growth of trade associations has been amazing. Their rights have been clearly defined. There is no opposition to them on the part of the government so long as they do not overstep bounds which everyone will agree are proper and necessary.

A charge frequently hurled at the anti-trust laws is that they make competition a fetish; that competition

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The Essential Executive Quality for the New Business Era

DURING the course of an address before the Forum Dinner of the New York Chapter, American Institute of Banking, Craig B. Hazlewood, President of the American Bankers Association, said:

"Only half a century ago, Michael Pupin, a shepherd boy, guarded his flocks by night among the fields of Serbia. As the flocks ranged the open fields, grazing under the stars and trampling the meadows hard with their feet, thieves often lurked in the bordering cornfields awaiting an opportunity to make off with a part of the herd. This lad and hundreds of other Serbian boys were taught a method of signaling one another for warning and help. Each carried a knife with a long wooden handle. This he would thrust deep into the ground. Then, in case the cattle thieves approached he would strike against the wooden handle and the sound would be transmitted through the ground to another boy some distance away. The other boy, with his ear pressed against the ground, could hear and interpret the message.

"'WHY is it,' Michael Pupin asked his mother, 'that we can signal this way? Why is it that the sound can be heard through the ground but not through the air? Why is it that the signals can be heard in the pasture land so much better than in the plowed fields?'

"But the boy's mother could not answer his questions, nor could the village teacher. However, having an eager mind and great determination, the boy decided to go to America where he might win an education and find out the answers to these strange and perplexing questions. I call your particular attention to the fact that hundreds of other boys under the same circumstances and with the same set of conditions merely accepted these things without once questioning them just because they had always done them that way.

"So it was that a penniless immigrant boy from Serbia, at the age of only fifteen, landed in New York in 1874; and, years later, having worked his way through Columbia University, concentrated the wonder and simplicity of his mind upon the problem of sound which had puzzled him as a shepherd boy in that Serbian field. The results of his thinking—what he has accomplished for the long distance telephone and for radio communication by his inventions—are known the world over.

"'IF during the past twenty-two years this company had been compelled to do without one invention of Michael Pupin,' an official of the American Telephone and Telegraph Company once said, 'and yet give the same service it is giving today, the company would have had to spend at least $100,000,000 more than it has expended.' Another official of the same company, when asked if he would care to sell a certain invention back to Professor Pupin, replied, 'Yes, if he will buy the Telephone Company with it. Our whole plant has been adjusted to this invention, and when one goes, the other also must go.'

"And still these inventions in which millions of dollars of capital have been invested were the result of the thinking of a mere country lad who had the simplicity to wonder, the determination to know, and the power to apply what he learned. So much for this illustration of the possibilities of independent, constructive thinking which Michael Pupin learned as he pondered the questions raised by those nights of signalling through the ground as a shepherd boy in a foreign land.

"Important and far reaching as the work of the Institute is in the splendid courses which it offers, I believe that stimulating the imagination and thinking is one of the greatest purposes, if not the greatest purpose, of the Institute and of all education. I believe that one danger, if I may use so frank a word, of what we are doing through the study courses of the American Institute of Banking and in all education, is that young men and women may find knowledge too easy—may accept conclusions without thinking them through—

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The Comptroller's Stand on Bank Taxation

By THOMAS B. PATON

General Counsel, American Bankers Association

COMPTROLLER of the Currency J. W. Pole in his report to Congress has taken a firm stand in opposition to all pending proposals for amending the Federal statutes relating to taxation of national banks. This is in line with the position of the American Bankers Association and will form a major issue of its year's activities.

He pointed out to Congress that the present taxation provision known as Section 5219 United States Revised Statutes affords ample opportunity for the equitable taxation of national banks by the states, at the same time protecting them from unjust discrimination, and that it indirectly gives similar protection in regard to state chartered banks.

The Comptroller has taken a clear-cut position on this question. As he points out the pending proposals to amend the statute have for their purpose the removal of the safeguard which has existed for sixty-four years prohibiting the states from taxing shares of national banks at rates higher than those imposed upon competing moneyed capital. The existing legislation is both permissive and restrictive and is thoroughly fair both to the banks, which are desirous of bearing their full share of the cost of government through taxation, and to the states, which generally have no desire to exact from the banks more than their share.

The Power to Destroy

AS the comptroller makes clear, national banks, as instrumentalities of the Federal government, can be taxed by the states only with the consent of the government which, recognizing that the power to tax is the power to destroy, has rightly safeguarded them by limitations upon state taxation on them, but the tax authorities of some states are now asking Congress to do away with these safeguards.

Some proposals seek to have Congress limit the taxation of national bank shares only by the taxation of capital employed in the business of banking, thus placing banking in a class by itself for taxation purposes. Other bills seek to place banks in a class with mercantile real estate, which is equally dangerous and impractical.

Dangerous and Unsound

IT is contended that since the states would not impose an undue burden of taxation on their own state chartered banks, national banks would be amply protected thereby. On this point I cannot do better than quote the Comptroller, as follows:

> "While the state tax authorities are undoubtedly sincere in their contention, the fact remains that the states would have

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Banker's Interest in Oil

(*Continued from page* 630)

"I believe it essential for the healthy progress of the oil industry and for the protection of a great natural resource such as petroleum against deplorable waste, that the industry immediately begin to produce its crude and products in an orderly way and to refrain entirely from production in excess of current demand. In spite of this, and in spite of present production in excess of demand, considerable new financing for producing operations appears to be in immediate prospect. Therefore, I believe bankers can render a real service to the industry if they insist that it put its house in order and adopt a unified national program that will promptly secure orderly development and conservation, before they supply such additional financing. It strikes me this is the greatest aid the bank can give to the industry in the present situation."

And so I might quote from other executives of major companies, all of whom are unanimous in the belief that cooperation is at present the outstanding need of the oil industry.

At Every Crossroads

AS we follow down the chain of operations from the oil well to the consumer of petroleum products, we find other difficulties and problems.

Directly comparable to over-production and over-processing is the enormous duplication of oil stations, tank wagons and competitive distributing facilities. We are reminded of the period when every railroad seemed bent upon putting its lines into every freight and passenger market. We are reminded, too, of the progress that the railway industry has made in the sub-division or assignment of markets. As I have said, the petroleum industry seems to occupy a middle ground between the natural monopoly and the ordinary competitive business. Shall all the petroleum companies be forced to compete with oil station facilities at every crossroads? Are we to permit the endless duplication of petroleum marketing facilities with the resulting higher costs to the producer and higher prices to the public?

I believe continued cooperation can accomplish much in eliminating the waste in marketing effort and investment which is going on in the petroleum industry and for which stockholders and the general public must finally pay. What cooperation cannot accomplish, perhaps consolidation and the elimination of unprofitable units in the industry will eventually bring about.

Without Prejudice

CUT price is another problem in the marketing of petroleum products. And this problem, of course, ties in closely with over-production, as well as wasteful and uneconomical methods.

Is it not possible that the petroleum industry, through its cooperative activities, together with a reasonable degree of integration and consolidation, will be able to reduce the number of organizations among which cooperation must be maintained? And then, may it not even be possible to forecast the gasoline requirements, for example, in various cities and sections, so that production and consumption can be balanced, and finally, to discourage the duplication of oil station and tank wagon facilities where it is evident that the market can sustain no more?

Charles Schwab has put forward a thought along this line and has, in fact, carried it even farther than I have dared to suggest. According to newspaper accounts, he indicated that he favored a change in the Sherman Anti-Trust Law to permit business men in an industry to organize their marketing. It is said that he even suggested a one price policy to stabilize the steel industry, with division of territory and customers among competing concerns, under proper supervision. If this could be done without prejudice to the interests of the customers and without interference with their freedom of choice, it should make lower selling costs possible to the mutual benefit of all.

Oil Can Learn

SO much for existent markets—but what of the markets that still must be developed?

The tremendous demands of the automobile have to some extent obscured the other products which have been and still might be developed out of petroleum—and the markets that might be created for these products. Fuel oil represents a tremendous market in which sales are now being made at a trifle of the heat value of oil, rated on the same basis as coal. The oil industry can perhaps learn from its twin brother, the automobile industry, something of interest in relation to merchandising its products.

This may be in the direction of finding many entirely new uses for petroleum products which will broaden markets, increase demand, and stabilize prices. Efforts are being made along this line, it is true. The development of oil burners for heating, the perfection of the Diesel engine, the increasing use of oil by railroads and steamships, and the converting of petroleum into new products such as candles and many medicinal products—all of these make for a larger consumption of petroleum and help to take up the slack between demand and supply. Thus, modern merchandising methods offer a solution which may aid greatly in stabilizing the industry and at the same time increasing its usefulness.

Too Much Wild-Catting

IN considering next the subject of finance, let me outline briefly the viewpoint of a banker who has a number of customers in the oil business and who has been privileged to have as friends some of the best informed men in the industry. The first distinction, of course, is between the well-managed oil company and the concern which is more or less "the creature of chance." I believe everyone will agree that there has been too much "wild-catting" and too much "bootlegging" of oil and gasoline. Too many poorly equipped companies have entered the oil business in the past, hoping to reap a large return in a small time. They have staked their all on the results of operations in a single field, without giving adequate attention to the future. In a business as variable and hazardous, from a financial standpoint, as the oil business, there is great need for budgeting, forecasting, economical operation, and, above all, careful attention to the financing.

The accounting and financing methods of a well-managed company are easily recognized. The company usually borrows under a budget control system worked out for some time in advance, with each department estimating its financial requirements.

Fast Running Current

I SHOULD like to emphasize the importance of all companies setting up budgets by which income can be estimated and expenses definitely controlled. If this were done, it would be possible to focus our attention more directly on those wasteful and unprofitable methods which inevitably creep into the operation of any business, whatever its nature, if it fails to have a definite system of budgetary control over its income and expense items.

It is natural enough that in the remarkable development of the petroleum business in this country the emphasis everywhere has been upon the increase of productive and refining facilities. The science of the industry has made notable advances in the last decade, and its growth has been astounding, but it has too frequently failed to be profitably managed. The fact that the petroleum industry is one of the two or three largest industries and may soon be the largest in this country cannot measure up as the fundamental purpose or objective of its existence.

In the fast running current of these days, we need to challenge our worship of mere size, mere volume, and mere rapidity of growth, unless we are earning profits commensurate with our size and position in the economic world. Each day we need to take a new grip upon the practical realities of this business; and I know of no more important reality than this—that our vision has sometimes become clouded and we have forgotten that the primary and fundamental objective of the petroleum business should be profits.

Lost On Every Barrel

TO illustrate, in 1926 this country produced 770,874,000 barrels of crude oil, which sold at an average price of $1.88 a barrel. In 1927, when 901,129,000 barrels were brought to the surface, the average price received was only $1.30 a barrel. In other words, in producing approximately 130,000,000 more barrels of oil, the industry suffered a loss of about $275,000,000. For every barrel produced in 1927 the producer lost fifty-eight cents, and for every excess barrel there was a loss of more than $2. How much business we do is not so important as how much profit we make.

It is a tribute to the business management of oil companies that so many of them have been able to carry on over a long period of years under such circumstances.

The situation in 1927 as compared with that of 1926 is indicated by a compilation of the profits of about fifty companies, which shows that in 1926, 70 per cent of the companies reported increases in profits over the preceding year, while 30 per cent showed decreased profits. For 1927, only 15 per cent of these companies made increases in profits as compared to 1926, while 85 per cent showed decreases in profits. The decrease in profits of these companies in 1927 amounted to 51.5 per cent.

A New Deal

WE may set up the greatest oil producing company, the greatest refinery, the biggest and most complete petroleum organization in this country, and we may make the petroleum industry the largest of all industries, but we have not rendered a permanent service to the public, nor have we met the final test of success unless profits are adequate. The petroleum industry is rendering a great service, but it can never attain the highest degree of business success in this new epoch of improved management until its profit record is clear and consistent.

In analyzing the businesses of the industry, then, let us apply the typically American approach to this problem of adequate profits. By that I mean, let us not compromise with present difficulties, but remove them—let us have a new deal instead of playing out the old hand. Let us emphasize not so much the idea that the petroleum business is different, as the truth that all businesses are common in their fundamental operations and objectives. Let us remember the difficulties of the past only insofar as they will help us to meet the demands of the future, and let us examine our businesses with an open mind.

If old traditional methods are being used to determine policies in any of the various branches of this great industry, they must be replaced by a study of facts, because this business today is too advanced for guesses or rule-of-thumb methods. Old processes, machines, procedure and merchandising methods may well be re-examined, for we are in a business world today that deals not with opinions, but with facts, and facts alone.

Drove On and Up

I RECALL the case of an industry which is twenty-five years behind the times in its processes and methods. And one company in this industry showed a loss during 1926 of 10 per cent on the sales. A new general manager was installed—a man with broad experience, but unversed as to the industry and its ancient history, and, moreover, with no set convictions. In ten months he had reduced the cost of manufacture 27 per cent. He then reduced the selling price to the trade by 20 per cent. No competitor has been able to match these figures. His company is today showing a net profit of 10 per cent on its sales.

In a highly competitive industry, a new president took hold in 1914. Through this man's ability, sales and profits increased steadily year by year, even in 1921 and 1923, when 95 per cent of the other companies in this industry showed losses. In 1925 a change occurred in the product sold, which made it necessary for the company to convert a large part of its plant to other uses. Nevertheless, the management drove sales and profits steadily on and up. The difficulties were merely a challenge to the resourcefulness of the management.

In studies which I have made, I have also been impressed with the need for uniform accounting and reporting methods, and the development of standard ratios in the oil industry. It was frequently difficult, if not impossible, to make those comparisons and studies in relation to the financial and operating statements which might have given valuable information on trends and other important aspects of the industry. I believe that the companies are losing much of the good that might accrue if uniform and thoroughly standardized accounting methods were followed. Such uniformity would make possible closer and more intelligent cooperation between oil companies because of the better understanding of the essential facts.

Beginning An Era

IN relation to this matter, I quote from the letter of a vice-president of a large Texas corporation:

> "The accounts of the oil companies should be kept in, and their statements rendered on, a standardized form so that they would reveal the same relative information as the statements of other companies revealed, to be checked by the bankers or the public."

I firmly believe that we are now in the beginning of a new era in business management—an era in which we shall have control by men who overlook no essential of the problem—market analysis, better merchandising, the elimination of unprofitable units and wasteful practices, closer budgetary control, efficient and economical operation, lower costs, a larger gross with increased net profits and faster turnover.

The resolution of stockholders and managers to operate far-sightedly on a basis of reasonable profit has been sharpened and tempered. The public is more confident than ever before in permitting a reasonable degree of cooperation and even integration in industries where unified command is so self-evidently desirable as in the petroleum industry. In its technology, the petroleum industry has set a standard from which its other functions and activities have much to learn. The technique of locating oil and of processing it in the laboratory is among the wonders of the age. The haste and wastefulness both of effort and of product in the extraction of oil are also to be wondered at, but less worthily.

The direction of future effort, then, seems reasonably clear. There must be an alliance of present minor units in order to secure greater stability, financial responsibility and far-sightedness. There must be a greater degree of cooperation among the permanent units in the industry. And as the foundation for all this, there must be education within the industry and among its public—a basis of mutual understanding and confidence firmly laid.

Then let the industry apply in constantly greater degree the principle that all possible waste of resources, of investment and of effort is to be avoided.

Along these lines, it seems to the banker who is deeply interested in the general progress of the industry, must be developed any program for stabilization and steadily maintained profits with maximum service to the public.

Mid-Winter Trust Meeting

TRUST officers and executives from all parts of the country are to meet in New York in February for the tenth mid-winter trust conference of the Trust Division of the American Bankers Association. The conference will last three days, February 13, 14 and 15.

The most effective means of developing and administering trust service will be discussed with the practical side of the trust work given the preference. The conference will offer, in reality, an advanced course in fiduciary practice, revealing the actual methods used by successful trust companies and banks in acquiring new business; outlining tested systems for improving internal administration; stressing the real liabilities assumed in the various capacities; bringing out what are considered the best policies to follow in handling trusts and estates and also affording information which can be applied as a yardstick to measure the success of individual efforts.

Spring Meeting at Biloxi

THE Executive Council of the American Bankers Association will hold its spring meeting on April 15-18 at the Edgewater Gulf Hotel, Edgewater Park, Biloxi, Miss.

The Executive Council meeting next to the annual convention of the Association is one of the largest and most important national gatherings of the year among bankers. The council is composed of representatives from all parts of the country proportionate to banking membership in the Association in each state. It is empowered to transact a large part of the administrative business of the Association and to receive reports from all the divisions, sections, commissions and committees of the general body.

Consider this issue of the JOURNAL and consider the staff of your bank. Is there not many a member of the staff who should have his own personal copy? When at least five subscriptions are ordered at one time the rate is only $2 per year, a saving of $1 on each subscription.

Investing Trust Funds

(Continued from page 644)

may question its judgment, diligence or even good faith.

Situation Memoranda

OUR plan is to prepare what is called a situation memorandum, listing in detail the trusts' holdings of the issues in question, together with a financial report on the company stressing the points which seem particularly significant. In unusual cases I have seen such memoranda run to twenty pages, with the usual balance sheets, income accounts and bond or stock descriptions supplemented by comparisons with competing companies and charts on significant commodity prices, labor, costs or traffic trends. Enough copies of such a memorandum should be prepared to send one to each member of the committee in advance of the meeting. Thus the action finally recommended represents the mature judgment of the committee, based on a careful statement of the pertinent facts, and if their recommendations should in the long run prove less than perfect—as at times it must—at least no one can sustain a charge of negligence. The latter, of course, is the trustee's unpardonable sin; for occasional errors of judgment the court makes allowance.

The other type of question or recommendation has to do with purchases or sales of securities in individual trusts. These also can be conveniently submitted to the committee in memorandum form. Such a memorandum is quite simple in comparison with the situation memorandum. All that is necessary is to show the name of the account, its investment provisions, the securities to be sold, inventory, market price, market value, income and the same data for the securities to be purchased, together with a statement of the reasons for the change if they are not self-evident, and any necessary data about securities with which the committee is not familiar. After being approved by the committee, these memoranda will be of assistance to the investment department in keeping track of any consents that must be obtained, from co-trustees or others, before the changes can be made, and in checking up the execution of the orders. In later years they serve as a record showing why any security was purchased or sold.

In only a minority of instances does the memorandum involving changes in individual trusts arise from concern as to the security of any issue. It is occasioned generally by reasons which are partly of an administrative nature. Some of these will be discussed in a subsequent article.

Has Your Bank a Journal Group?

Each issue of the JOURNAL has new banking facts and suggestions which every forward-looking member of your staff will be glad to use for the benefit of your bank. A *group* subscription will accomplish this important purpose.

New Kind of Gold Reserve

(Continued from page 656)

about 11 per cent, and in Italy about 17.9 per cent. This shows clearly that the percentages are larger in currency-using countries and smaller in check-using countries. That is an indication that one of the ways in which to make gold go further is to encourage the use of checks.

The argument that is based on these or similar figures is often to the effect that the United States, notwithstanding its excess reserves, above the legally required minimum, has no gold to spare and that other countries certainly have to be careful to maintain their reserve ratios. It would seem that the argument would run exactly the opposite way. The figures show that countries where the banking system is highly developed can do business on a sound basis and maintain public confidence with a ratio of gold to liabilities that is from one-third to one-fifth as large as is required by countries that do business chiefly on a currency basis.

We have 6.3 per cent reserves in this country and still have according to our law, about $1,200,000,000 of excess gold, and if that were utilized our reserves would come down to 4 per cent, and even so we should have enough. No one would suggest that the confidence of the people in our currency would be shaken if the excess reserves were used up. I realize, of course, that modifications of banking systems and habits of the people are a slow growth, but even those who are alarmed at the prospect of a gold shortage give the world ten years or more in which to develop means of avoiding a gold famine. In the meantime further methods of economizing gold and means for protecting existing reserves from too rapid utilization can be devised and put into operation.

To summarize, I believe that out of the war and the post-war disturbances has emerged the gold reserve standard which tends to relieve gold of all its functions, except the duty to serve as reserves. A better understanding by the world of the financial mechanism has brought recognition of the fact that the principal function of reserves is to maintain public confidence. It would seem, therefore, that it should be the objective of financial authorities throughout the world to find means of keeping the public confidence and at the same time to develop methods of banking that will make the available supply of gold be sufficient to meet the needs of trade and industry. It should not be a case of cutting the financial garment of the world according to the available reserve material, but of making such use of available reserves as will provide adequate financial support to the world's trade.

New capital issues in Great Britain totaled £337,823,000 during the first eleven months in 1928, the highest total since 1920, the Midland Bank reports.

Fixing Fees for Trustees

(*Continued from page* 660)

ciency and care with which their trust departments have been established, as to the beauty of their bank building, as to the style and strength of their statements, as to the character and color of their embossed stationery, as to the attractiveness of their windows, as to the solidity of their vaults, and as to the massiveness of their safes—in all of these things competition is commendable and necessary. But in one field, the compensation of the trustee, competition is deplorable. It must not be.

Uniform Fees Urged

THERE are only two kinds of trust service: good and bad. For the good, a fair, profitable compensation should be paid; and for the bad, no compensation is justified.

Therefore, by all means I urge trust companies in their cities and states to concur in a uniform fee schedule.

Tulsa and the State of Oklahoma are very happily situated. A uniform trust schedule promulgated by a committee appointed by the Clearing House Association of Tulsa was adopted by the Tulsa Fiduciaries Association and by the Oklahoma Trust Companies Association, without a dissenting voice. In other words, the entire State of Oklahoma now functions under a single uniform fee schdeule. It may or it may not be the best schedule that we could have for Oklahoma—probably not. Probably at each recurrent meeting of the Oklahoma Trust Companies Association the light of experience and perfected methods of cost accounting will point a modification or change in the schedule we have adopted.

The Greatest Boon

THE point is, we have brought the minds of all our trust departments into concurrence on the necessity of eliminating competition in trustees' fees. We are united and in complete harmony on that question. We may compete with each other along all other lines, but on the question of the value of the service we render to the public.

Surely this is the ideal situation for a new trust department. It has ready-drawn for it a scale of fees based on the experience of older companies, fees that will not be remunerative during the lean year perhaps, but which will assure a proper return during the fat ones.

The greatest boon to the new trust department is the standardization of fees in the State of its residence. It is commended solely for its efforts to build up potential business, bearing its present sacrifice in the assurance of a better day beyond.

The Bureau of Posts is opening branches of the Postal Savings Bank on all fourth-class post offices in order to encourage savings throughout the Philippine Islands, according to the Department of Commerce.

Anti-Trust Laws

(*Continued from page* 683)

has been elevated over all considerations of economy and efficiency. These flights are, for the most part, purely rhetorical. The competition which the anti-trust laws would preserve is not the jungle competition which the critics of the law imagine.

The anti-trust laws recognize that not all competition is good, and that unrestrained competition is bad. They have been as often invoked for excesses of competition as for the suppression of competition. The test of the legality of a corporate combination is not the amount of inter-company competition that is suppressed, but whether the competition it affords is fair or oppressive. And the Federal Trade Commission Act has for its main purpose the prevention of unfair methods of competition in interstate trade and commerce.

It is on the proper interpretation of the words "unfair methods of competition" that the ultimate reconciliation of the proper needs and aspirations of business with the law depends. The Federal Trade Commission has, and was intended to have, a wider field of usefulness than the mere prosecution of individuals and concerns for the use of unfair competition. Also it is clear that the language of the statute is not to be limited to common law definitions.

Writes Its Own Code

IT is the formula whereunder the Commission may and does cooperate with industry, through the trade practice conference procedure, in writing codes of ethics which are bringing about that degree of proper and desirable stabilization compatible with American institutions and ideals.

A trade practice conference is authorized by the Commission on the application of a substantial part of an industry, usually made through their trade association. The industry is thereby enabled to write its own code of ethical and economic practice, subject to approval or rejection by the Commission in the public interest. In the case of resolutions aimed at practices illegal in themselves the Commission undertakes to enforce compliance therewith by proceeding against all violators, whether they have subscribed thereto or not, under Section 5 of the Trade Commission Act.

Resolutions aimed at practices which have not heretofore been held unlawful by the Commission or by the courts are treated differently. The secret violation of such a resolution by one who has openly subscribed thereto, and has led his competitors to believe that he will observe it, will result in a proceeding by the Commission on the ground that such secret violation is in and of itself an unfair method of competition.

Thus these codes for the strengthening and uplifting of American industry are made enforceable in every particular save one. The Commission has not yet undertaken to enforce resolution of the latter type already described against a recalcitrant minority who will not subscribe thereto.

The absence of means for the enforcement against non-subscribers to resolutions of this type, where the practices aimed at have not hitherto been considered unlawful, has proved a serious stumbling block to the efforts of many industries at self-regulation. At a recent conference of manufacturers of a certain commodity resolutions fixing standards of quality could not be adopted because there could be no assurance of protection against certain elements in the industry.

Hence a grave question is presented as to whether the codes of ethics for American business are to be written by a progressive majority, or by a reactionary minority. For it often happens that a recalcitrant 10 or 15 per cent of an industry, seeking and obtaining a competitive advantage by persisting in practices which the majority have proscribed, eventually bring all down to their level and as a result praiseworthy efforts to elevate the standards of an entire industry may be defeated. In this fashion the minority effectively imposes its will upon the majority.

The remedy for this, if any there be, lies in the gradual expansion of the Commission's powers under existing law, rather than in new legislation. It is doubtful if the building up of a new code of business practice will lend itself to Congressional definition. Certainly any attempt by Congress to decree by law that the minority in an industry shall conform to the wishes of the majority in respect to practices never heretofore regarded as unlawful would meet with determined opposition and would give rise to grave questions of constitutional right. In any such proposal provision would have to be made to guard the minority against oppression and the public against extortion.

Backlog for Business

FOREIGN trade during 1927-28 continued to be a most dependable backlog for domestic business, according to a bulletin issued by the Department of Commerce. There was a particularly large expansion of exports of manufactures in the early part of 1928, and this foreign demand was an important factor in the increase of factory operations which occurred during the spring months.

Exports of merchandise in the first half of 1928 reached a value of $2,378,000,000, which was larger than in the corresponding period of any of the six preceding years, and the total for the fiscal year was also greater than in any other recent year except 1926-27. These large merchandise exports were supplemented by a record outward movement of gold, which reached the enormous aggregate of $627,000,000. A considerable part of this gold was used in reestablishing the French currency on a gold basis, but there were also large shipments to other countries of Europe and South America.

The large exports of both merchandise and gold, together with some curtailment of imports, resulted in an increase in the balance of visible trade to almost $1,250,000,000, which was greater than in any fiscal year since 1920-21. This large increase in the trade balance was accompanied by a record volume of foreign loans.

French Prospects

THE business outlook in France is distinctly encouraging according to a study of French national finance and stabilization made by American Commercial Attaché Henry C. MacLean, at Paris.

"The effect of stabilization on business in general should be distinctly favorable, and a further revival of activity is confidently expected. While uncertainty as to the eventual value of the franc existed, there was a corresponding reluctance to assume obligations payable at a future date, which undoubtedly reacted on business. Now that this hindrance has been removed, granted basic conditions are sound, it is entirely reasonable to expect that progress will be made.

Banking Aboard a Battleship

(*Continued from page* 664)

ship's disbursing officer is that of furnishing officers and men with transportation for travel on public business occasioned by a change-of-station orders or orders to special duty which may take them away from the regular stations temporarily. While this does not involve the actual purchase of railroad or steamship tickets by the disbursing officer, the procedure is very similar, as requests on railroad or steamship companies calling for transportation over certain routes at certain times and under certain authorized conditions must be made out in proper form. These transportation requests, when prepared and signed, are given to the officer or man, who exchanges them at the ticket office of the railroad or steamship company for the ordinary traveler's tickets. Payment is made to the transportation company for all transportation so furnished naval personnel by the disbursing officer attached to the Bureau of Supplies and Accounts in Washington upon presentation of the transportation requests with the vouchers.

Business Afloat

AS an example of the volume of business transacted by a disbursing officer afloat during an average quarter, we may take the case of the disbursing officer of the aircraft carrier "Langley." During the first quarter of the current fiscal year, that is, during the months of July, August and September, that officer expended over $472,000 in pay to officers and crew of the "Langley" and to other units of the Air Squadrons of the Battle Fleet, and in public vouchers. There were 1831 accounts carried on the pay rolls during the time in question, requiring 5842 vouchers to substantiate pay credited on the pay rolls. There were paid 255 public vouchers.

The accounts of disbursing officers of ships are inspected, and cash and deposit balances verified periodically by the Fleet Paymasters. In addition to these inspections, the accounts of disbursing officers on the larger vessels of the fleet are inspected quarterly by the ships' supply officers. Detailed reports of these inspections are transmitted through official channels to the Paymaster General of the Navy.

Thrift Drive for Women

A thrift drive is to be inaugurated by the National Federation of Business and Professional Women's Clubs during Business Women's Week, March 10 to 16. The Federation is asking each of its 940 clubs throughout the country to hold a special meeting during the week and urge its members to start a savings account.

Broadcasting Brought Business

(*Continued from page* 675)

I AM aware that considerable skepticism exists as to whether people will listen to talks. Many argue that people want only entertainment. Our experience is conclusive proof that human beings are eager for the brand of financial counsel offered in our bank talks. The radio fan who tunes in when he gets home from his work has three or four hours of dial twisting ahead of him, and it is reasonable to suppose that a goodly proportion of listeners have intellects which crave variety. Anyway, we have been given ample evidence, over the counter and by mail, that our talks have a large following.

For about six months, even persisting through the summer, we used fifteen minutes time, between six and seven p. m., two minutes of which were occupied by the announcer. We found in September that we could get better time, beginning at seven, if we used a half hour and included a brief musical program. Instantly the effect was noticed, and our responses greatly increased. So we believe that a program of fifteen minutes of music and fifteen minutes of talk is ideal.

What are the results? The intangible results, we cannot, of course, appraise. But we do know that our bank has become a household name in thousands of homes where it had never been spoken. This new acquaintance will bear fruit years hence.

An Unqualified Success

THE tangible results are highly gratifying. Our savings deposits have had an unprecedented increase since we began broadcasting. A comparison of opened and closed accounts by months with the year previous shows gains every month by large percentages during the months we were broadcasting, as compared with the same month of the previous year. This suggests also a profitable minimizing of close-outs. Of course we must allow credit for a part of the increase we have had in our business to favorable economic conditions. Nevertheless, we have reason to believe our radio activities played a most important part in helping us to secure our share of the accumulation resulting from Detroit's prosperity. No other form of advertising was used during the period under comparison.

Never does a day go by but we have highly complimentary comments from visitors at the bank, some of them entire strangers who come in for the purpose. We receive hundreds of letters, and many of them tell us that their writers are regular listeners and urge us to continue. Our interior bank correspondents express themselves frequently in gratifying terms.

All in all, we consider our broadcasting an unqualified success. What can be more logical than for a bank to go right into the homes of the masses and give the very counsel which every family is eager to receive?

They Will Listen

THE talks are well organized, with a definite theme running through them. They begin with laying down certain rules and principles, and then elaborate on them in turn. We try to show people exactly how to organize their personal finances. We have dissolved some of the mystery of banking in some of the talks. We have explained the essentials of credit. We have given particular attention to explaining the fundamentals of sound investment. In a word, we have tried to make this series of talks a sort of financial "institute" for the masses. And we have seen the proof, in a thousand ways, of the soundness of the idea that a bank can, with great profit and propriety, go where the crowds are, and point them on the way to success.

We make it a point to keep the talks themselves free from any appeal for patronage, any semblance of advertising. In each announcer's introduction and close, we see to it that our bank name is frequently mentioned, and also include a conservatively phrased invitation to do business with us. We often hear expressions of appreciation for not obtruding our interests in the talks.

We often wonder why more banks do not constructively use this medium. As we see it, there is room for doubt as to its value to a bank when used merely as a good-will builder through purely entertainment programs.

In a purely commercial enterprise it would be difficult to hold an audience or gain a following with talks about the sponsor's business. But in the business of banking there is an opportunity to confine the talk altogether to the listener's financial well-being. So, as human beings are chiefly interested in themselves, they will readily listen to a bank which guides them on the way to financial independence. The prediction seems a safe one that the bank which has favorable station time in which it offers a constructive and helpful public service, will greatly enhance its business and good will.

Prosperity Reserve

(Continued from page 648)

Any control of construction work in these lines must have due regard for the money market and for other financial considerations. As a matter of fact the ordinary operation of economic laws furnishes a certain degree of control of such construction.

The benefit of comprehensive control of building operations by outside authority lies largely in the fact that with proper data in hand the regulating authority can anticipate a depression and prevent it to a considerable extent by inaugurating a building program before the depression arrives. It can not only in fact prevent the depression by furnishing work for labor and industry when it is needed but also it can assist in the prevention of depression by the psychological effect of affording an outlet for the products of labor and industry when it is needed. The psychological effect of such enterprises under such circumstances is very material and important.

In the Banker's Interest

ON the other hand it is not always possible for any municipality, county or state to plan for its public works so far in advance. Many of them are limited by law as to the amount of indebtedness they may incur. Often their programs of public works are subject to the decision of the electorate and to politics generally. Some such works depend upon the amount of revenue yet to be collected. Most of them are contingent upon the successful issue of bonds at reasonable rates. Nevertheless it is evident that there is a considerable proportion of public works which can more or less readily be subject to control.

A committee of President Harding's Conference on Unemployment in a report on seasonal operation in the construction industries calls special attention to the fact that the banker "can aid in stabilizing construction since it is to him that the investor is apt to turn for advice. There should be a wider use of current information and a constant reaching out for further data regarding the characteristic trends in the construction industries. It is highly important in the banker's own interest as well as in the interest of his customers that he take account of the seasonal factor. * * * The need of wider knowledge of the general movements of business, including the business cycle, is evident. * * * Forethought in planning ahead and use of information as to seasonal trends will reduce interest on investment and will release investment funds for other productive uses."

Upsets the Equilibrium

IT must be realized also that the general effect of the speeding up or slowing down of construction programs in the various parts of the country is far more widespread and has a far greater effect on the prosperity of the country than might at first appear. Naturally the construction of a new school house in an Illinois city primarily affects the labor situation and the market for building materials in the community in which it is built. But this is far from being the only effect although the construction of new school houses in many cities all over the country greatly affects the general economic situation of the country by the cumulative effect of widespread local activity.

However, the construction of a single school house in Illinois affects the economic situation of the entire country in a less apparent but far more important way. Into the school house go materials obtained from widely scattered sections of the country. Most of all, the money paid local labor is expended for products which represent every part of the country, often foreign countries as well. The great mass of the people of the United States are constantly employed. The great mass of the country's business goes on as usual whether there is depression in business or not. Depressions directly affect comparatively few of our people but the margin of those thus affected is exactly the margin between prosperity and a lack of prosperity.

There is nearly always a considerable army of unemployed in the country—people who cannot work or will not work, those out of employment because of seasonal activity in their callings, those thrown out of work by shifts in various trades, those thrown out of work by the introduction of machinery and who have not yet been taken over by other industry — always a certain amount of flotsam and jetsam on the industrial seas. This margin of the unemployed, when normal, is taken care of by the country as a whole; the country, as a whole, prospers in spite of it.

But if this number of unemployed is materially increased the situation changes at once. The great mass of people are still employed and the great mass of trade goes on as usual but the addition of even so small a proportion as say 5 per cent of the nation's workers to the ranks of the unemployed upsets the economic equilibrium of the nation and the margin of prosperity for the nation as a whole is lost. The addition of 1,000,000 persons to the unemployed class not only stops the direct livelihood and buying power of perhaps 4,000,000 people dependent upon them but it also affects the livelihood and buying power of other millions whose labors and products normally are consumed by this 4,000,000. Thus it is that a comparatively small volume of building or other activity properly placed at the right time has an effect upon the country entirely out of proportion to its apparent importance.

For Major Relief

EVERY line of trade and industry in the United States is dependent upon every other line of trade and industry. The construction of an Illinois school house is of direct interest to the textile or boot and shoe industry of New England and the orange grower of California or Florida. Accordingly it is not necessary that a building program be spread over the entire country for its benefits to be felt by all. Although there is a constant interchange of working people in various lines between the several parts of the nation it would be impracticable to attempt a transfer of unemployed textile workers in New England to a reclamation project in the Far West or to a road construction project in the southern states. However, by keeping the reclamation workers of the West and the road workers of the South employed the general level of the country's buying power is kept high enough to aid the New England textile workers by strengthening the market for their products.

A certain amount of stabilization in business has been effected in late years and perhaps more can be attained by so standardizing products in many lines that a surplus can be manufactured in slack times for distribution in more active periods. Much stability has also been obtained by reducing seasonal fluctuations in some lines such as the building trades where once winter meant stoppage. All these means of relief tend to preserve an even course of business throughout the course of each year all over the country. But for the more far-reaching and major relief of the country from periods of depression and unemployment recourse must be had to more far-reaching means. The protection and preservation of the general high level of prosperity for the entire nation is the end sought and such an undertaking requires adequate machinery.

It is evident that no plan for the control of such immense interests and expenditures in the nation can be evolved, especially since the matter involves so much voluntary cooperation from so many authorities, except by gradual development after nation-wide preparation and considerable time. It is probable that at best the machine will not work perfectly but there is every indication that it will work to a material and beneficial extent. There seems to be no doubt that the application of a scheme of control of public building activities could be applied at once with benefit to such works in some of the larger cities of the country for local benefit which in turn would affect the national situation favorably.

The application of general control to construction works in the small cities and towns and in the rural districts presents many difficulties which are not apparent in the application of such control to public works in a great city such as New York for example. Where buildings are erected by the dozen and streets paved by the hundred miles, involving millions and even hundreds of millions of dollars in the course of a two-year period, the advantage of distributed activity, the elimination so far as possible of seasonal inactivity, the prevention of local depressions by foreseeing them and supplying work to avoid them are apparent. It is likely that the beginning of the application of the general control now discussed will come in the application of the system to the undertakings of the larger municipal governments.

A certain amount of control also is immediately practicable in some of the states where the state governments have building programs to be extended over several years, particularly in the way of improved road construction. The general principles of such control already are far more generally recognized and followed than is generally realized and undoubtedly much of the present prosperity of the country is due to a wise management of construction programs in various parts of the country.

At the same time the great mass of public works is still carried through without regard to private needs or the general business situation of the nation. The needs of public works can usually be foreseen to a considerable extent and there is not the least question but that if there is careful planning for them in advance, with due regard to the general level of employment and prosperity in the nation, a vast "prosperity reserve" can readily be set up which, with cooperation among state, county, municipal and Federal authorities, can be so applied as to provide a consistent and coordinated expansion of the nation's "plant," prevent much of the current waste in construction programs, and insure that course in national prosperity which means a job for every worker.

Today more than ever before, sound, definite practical banking knowledge is power—power to function more capably and more profitably. Give the members of your staff the increased will-to-win and stimulus to resultful thinking that comes from a regular monthly *home* reading of the JOURNAL.

Small Favors Help to Build Business

(Continued from page 667)

As a reward for a small courtesy extended to a stranger, the bank had secured an account of $7,000 and a desirable secured loan of $12,500, and the friendship of a leading business man, bought not with gold or silver, but with a small favor extended to him while he was yet a stranger. This true story is proof that it pays a bank to attend to the seemingly small things that come up almost daily in the life of the average banker. It also proves that if a bank is to hold its old customers it must show them every reasonable courtesy in an efficient way.

Perhaps no prospect for new business gives less promise than a widow with three small children, whose only means of support is derived from what she can earn as a clerk in a small country post-office. And yet, with a prospect so small as to be almost negligible may spring up business of great value.

A country banker sends me this story in support of a claim which he makes in the beginning of his letter, to the effect that a bank can't always tell how far-reaching a few kind words of advice and encouragement sometimes go.

This poor widow was well regarded by him. Although her banking business was necessarily very small, she never abused the privilege by drawing numerous checks. What she was unable to do financially to make her account profitable, she endeavored to do by commending the bank to others.

Oil Made Her Rich

AS she toiled from day to day in order to care for her three small children, her faith was pinned on one small investment. One day she called at the bank, as she had often done before, but this time she appeared happier than at any time during the past four years. Her small investment in a tract of land had made her rich. Oil had been discovered on the adjacent section. She had sold out for a good bonus and a liberal royalty.

As a token of her appreciation of the many little favors extended to her in the past and while she was poor, she deposited $5,000 in the same checking account she had carried for years, and opened a new savings account with $10,-439.65. Ten days later she deposited $17,250 more in her savings account, and volunteered the information that she expected additional funds in the near future.

This little story of how the account of a poor widow became valuable emphasizes the importance of taking good care of the little depositor, whose account may not be a big money maker, at the same time not undesirable, for in certain desirable small accounts are possibilities that through inheritances, insurance, and, as in the case cited, through some great discovery, they might become very valuable. This case proves that it pays to extend every courtesy even to small depositors whose business is desirable although not large.

An Automobile Drew Up

ANOTHER banker sends me what he terms meeting the public more than half way with the bank's service. He writes that he was standing in front of his bank one day when an automobile drew up at the crossing and stopped. The driver leaned out and hailed a man standing at the curb.

"Where is Lincoln Street?" he asked.

"I don't know," the man at the curb replied, "I'm a stranger here, too."

"Wait a minute," the banker interrupted, "and I'll give you a map of our city."

Handing him a map a moment later the banker added: "Drive two blocks and turn to your right."

The unexpected intrusion pleased the motorist, for he was lavish with words of appreciation.

Courtesy Paved the Way

THIRTY minutes later he walked into the bank, the map in his hand.

"Perhaps you will recall me," he said by way of introducing himself. "I'm here visiting my brother. He's president of the Atlas Iron Works. I thought I'd surprise him. He didn't know I was coming. This is the first time that a bank has gone out of its way to render me a service. When my brother returns tonight I'm going to tell him he ought to keep his account here, at least do a part of his business with you."

In concluding his letter, this banker wrote, "and the little courtesy shown this man at an opportune time paved the way for me to approach a leading business men of our city whose business I had sought before without success, and what is best of all he has since favored us with a good account."

This is but another case that goes to prove that a favor extended to a stranger will often result in the securing of good business.

The Big Surprises

ANOTHER banker starts his letter with this introduction. He says, "Courtesy and Efficiency are real service and a builder of business."

In leading up to his case, he shows that he has a good grasp of his subject, when he says "The major items of service are expected daily by our customers, but the good accounts which come as the direct result of some minor service extended without any thought of a reward are the big surprises," and then he supports this statement with the following example:

A stranger walked into the bank one afternoon and stated that he wanted to find a certain man whose address he had misplaced. It took the banker but a moment to locate the name in the city directory, write the address on a slip of paper, hand it to the stranger and at the same time give him directions as to how to find the address. Receiving the stranger's thanks, the banker turned back to his work, dismissing the incident from further thought.

Filled Out a Check

THREE days later this same stranger came back. He said he had found his friend, and that he had decided to go into business here.

"I like the way you treat people," he said, drawing a check from his pocket, which he filled out for $25,000.

"I wish to deposit this," he continued, handing over his check. "You will have time to collect it, and I would suggest that you correspond with my old bank as to my standing."

"As he walked out the door," the banker wrote, "I couldn't help but realize as I had never realized before, the pulling power of even the little favors. I had done so little; in fact, all that I had done was to give him an address, and yet it had attracted to our bank a business man who could draw his check for $25,000."

This banker closed his letter in very much the same style as he had opened it. He said, "We are certain to receive many pleasant surprises if we will but take a personal interest in the minor problems of our clients, for after all, while they seem unimportant to us, they are generally not so regarded by our clients."

Noticed a "For Rent" Sign

HERE is a unique case, just a little different from any that has come to my attention for a long time. A Northwest banker sends it in. It shows how a banker who keeps his eyes open paves the way for introducing the service of his bank to a new business firm. This banker writes:

"I was returning from lunch the other day when I noticed a real estate dealer removing a 'For Rent' sign from its place in the window of a vacant store. Naturally, I assumed that the store had been rented. I could have returned to the bank and dismissed what I had observed from further thought, but I was curious to know who was going to occupy the building. I hastened over to the vacant store room, told the real estate agent what I had observed, and asked him if he had rented the room. He hesitated a moment and said he had but didn't want it generally known for the present.

"Our bank would like to have his account," I volunteered.

"'Well, if you'll say nothing about how you got the information, I'll give you the name and address.'

"The store room had been rented to an out-of-town business man—a man of wide experience in his line and of good financial standing. I went back to my bank that noon with the name and address of this newcomer in my pocket. As he had not yet left his old home town I wrote to him, extending a cordial welcome to our city, and at the same time placed the facilities of our bank at his disposal. He replied promptly, thanking me for the interest I had shown in him and added:

"'I will call on you in a few days.'"

This may be an exceptional case, but as shown by other cases it demonstrates how by seizing every opportunity, even as commonplace a thing as observing the removal of a "For Rent" sign from a vacant store building, a bank may secure desirable business. I doubt if any other banker in the wide world has ever thought of the possibilities for new business in observing "For Rent" signs.

Varying Charges for Bank Credit

(*Continued from page* 652)

be paid, with no requests for renewal, no sad stories, no injured feelings. And the paper is eligible for rediscount at any moment with the Reserve Banks. In other words it is as good as currency reserve in the vaults and draws 5½ per cent interest.

Real Estate Loans a Necessary Evil

COMMERCIAL banks in the large cities have never catered particularly to real estate loans because their deposits are for the most part payable on demand and their resources must therefore be kept in liquid form. Power was granted to national banks by the recent MacFadden Act to make a limited amount of loans on real estate mortgages, under certain restrictions as to valuation, maturity, etc., but the large city banks have thus far not gone deeply into this class of business.

Frequently, however, real estate holding companies need accomodation in connection with transfers of property consolidation of mortgages, etc. Among the major industries of America, real estate ranks at the top. In 1928 the nation's expenditure on construction amounted to $7,000,000,000.

As a result, every large city has countless real estate holding companies which make desirable deposit accounts with banks. When loans are requested from banks the credit basis is unsatisfactory, since the properties are invariably pledged already under a first mortgage, usually under a second mortgage also, and a third mortgage would be of little value and would not even be permitted by most banking laws.

Financial statements of such borrowers are so difficult to analyze that they mean little. How many commercial bankers are qualified to judge, when for example, they have submitted a balance sheet showing an apartment house carried at $1,500,000, with a first mortgage of $900,000 and a second mortgage of $300,000? How do they know if the apartment is worth only $1,000,000, or $3,000,000, unless they have had extensive real estate experience and keep in close touch with values? They do not even know that X. Y. Z. Realty, Inc., holds title to the building, unless they have a search made of the records, which would cost more than the entire interest to be received on the short-term loan, and would not be paid for by the borrower as when he places a mortgage.

How do they know that the mortgages are as stated, and not several hundred thousand dollars more, or the terms of serial payments and whether they are being kept up, unless they have a search made of the rceords and communicate with the holders of the mortgage?

Often this problem is complicated by a large real estate operator controlling several properties, each in the name of a separate realty corporation. How does the banker even know that the applicant holds the control unless the actual share certificates of these nominal corporations are produced and carefully examined?

When these loans on elusive equities are granted, it is often against the banker's better judgment but the borrower may carry a desirable account, or several, so he is not turned down. The banker makes the loan in the dark, and hopes for the best in the short period until maturity. Much of the new building in cities is very speculative and is financed on narrow margins, so that the banker becomes a partner in the gamble. If the deal is successful he receives but negligible interest, while the mortgage lenders get the security and the builder makes the profit. Under these circumstances banks feel that they should charge a 6 per cent minimum interest rate, and a 5¾ per cent preferential would be given only in exceptional cases.

Bankers Acceptances and the Reserve System

A BORROWER on commodities in transit or warehouse could, instead of making an ordinary collateral loan, arrange with his bank to execute an acceptance. He would draw a draft against the bank which it would accept and return, after which it could be sold in the discount market on a 4½ to 4¾ per cent basis.

It is to be noted that in this manner of financing the transaction the bank does not *expand* its credit as in the case of a loan; it only *lends* its credit by adding its name to the instrument. The individual's draft has thus became a bankers acceptance and the funds come from some discount house or other investor who buys the bill.

For this service banks usually charge a commission of ¼ of one per cent for 90-day bills. This brings the total charge to the borrower about up to that for straight loans to first class corporations, namely 5½ or 5¾ per cent.

In times when there is not a general money stringency as exists today, the cost of financing through the acceptance market would run slightly lower relatively than on straight paper, as it should. Constant and substantial support is being given the acceptance market by the Federal Reserve Banks and at present the System holds about $500,000,000 of such bills bought in the open market, which is $100,000,000 more than one year ago. Were it not for this support, how many investors would purchase bills at 4½ when call loans could be made at 12 per cent?

Federal Reserve requirements as to eligibility and rediscount rates exert an influence on the rate of every type of loan that has been discussed. At present the central bank rate is 5 per cent, to be secured by eligible paper or United States government securities, which makes that figure the minimum below which a bank would not think of lending, otherwise they would be actually losing money on the amount of their loans rediscounted.

A term "Federal Reserve funds" appears in the money market quotations of some publications and causes frequent inquiries as to its exact meaning. When a bank finds its reserve balance at the Federal is in excess of requirements for the day, it naturally wishes to loan out the excess. Some other bank may find its reserve account short. If it had money on call these loans could be called in but checks received that afternoon would have to go through the clearing house the following morning before they became available for reserve account credit. In this case the bank needing immediate funds could go to the bank having an excess, and the transfer would be made at once on the books of the Reserve Bank. For the day's interest, or more if over a week-end or holiday, the charge is at a rate of 5 to 5¼ per cent. Actual transactions in Reserve funds, however, are not large.

Personal loans of $50 to $1,000 are being made in increasing numbers by large banks but they will not be discussed herein, since they involve a special type of banking. Rates of 6 per cent have been initiated by several banking institutions, discount to be collected in advance, but industrial loan companies may charge 1 per cent monthly, up to 3½ per cent monthly and still higher in the case of loan sharks, compared with which 12 per cent call money is "cheap."

Potential Powers of Federal Reserve Rates

(Continued from page 676)

ket or any other field of enterprise may be by a full 1 per cent. It does not follow, however, that reduction of the rate would be by a similar 1 per cent, for reductions ordinarily would be only ½ per cent at a time.

This is merely an idea at the present time. It is not a policy. But it is one of these ideas which are widely enough held within the System to constitute an indicator of future policy.

The idea grows out of the recognition that gold movements to and from the United States are not subject to any very strong control of the Reserve System. At least they are not quickly responsive. It is much the same with currency requirements, which are seasonal and which do not provide a fit field in which reserve banks could work with the thought of influencing credit conditions.

Thus it appears that the principal direct influence of the reserve banks is through the deposits of member banks with the reserve banks. These can be influenced by open market sales of government securities and through the rediscount rate. During the last half year the open market sale of securities has not provided a good dampener of credit expansion. The volume of these securities held by the reserve banks has been comparatively low, and the time and market were deemed not propitious for selling. This may have been right or wrong, but it was the best judgment at the time.

Deposits of member banks in Federal Reserve banks amount to about 7½ per cent of the total deposits in member banks, or about 5 per cent of the deposits in all banks. The margin of direct influence of the reserve banks may be said to be one-twentieth of the country's total volume of bank credit. With such a small margin, the blow must be heavy,—"a short stiff jab, rather than a long swing."

This idea is strengthened by the demonstration during the last six months that there is a big lag between the applying of a higher rediscount rate and the tightening effect which was sought thereby. It is more of a lag than had been thought, and this provides all the more reason for hitting when the hitting is in order.

In considering what else might have been done, it is important to realize that the Federal Reserve System is not alone the Federal Reserve Board, nor the twelve reserve banks, nor the member banks,—but all combined. Decisions as to policy are not made in Washington, nor by the officers and directors of the reserve banks, but by a combination of these and member bank opinion. This point makes it apparent that Federal Reserve credit is not a commodity which can be turned on and off at a spigot under central control. Credit requirements in various parts of the country and for various uses also are so divergent that the hands which make the policy can not be guided by eyes which are too closely focused on a single situation—the stock market, for example, or the agricultural crop moving situation, or the capital investment field, or the construction industry.

The diversity of economic interests has made it difficult for the steerers of the System to act on theories relating to the effect of a proposed act. The System has not any too many precedents, and certainly none for the unusual conditions of the past year. Undoubtedly it has been the desire to curb stock speculation ever since last May and June, or perhaps earlier, despite the occasional statements of authorities that the course of the stock market was none of their direct concern. Yet the question was whether crop moving, and commercial activity and constructive enterprise would feel the chastisement intended mainly for the stock market? The answer was not clear, nor the reactions mathematical, and the System chose the cautious way. Now, with the advantage of looking backward, it is easy to be dogmatic.

Speaks Out in Meeting

ONE indication of the progress of thought on Federal Reserve and general credit policies during the last year, is that critics of the System are less inclined to dogmatism. The body of thought behind the LaFollette resolution a year ago turned out to be full of doubts. These still prevail, and it is a good sign so long as thought does not stagnate, and thought is certainly not stagnating.

Governor Roy A. Young, of the Federal Reserve Board, the new man of the Federal Reserve System and perhaps the strong-man-to-be, in an address before the American Bankers Association on October 3 (as published in this magazine for October) said:

> "Since the Federal Reserve banks furnish the basis of credit growth in any field, whether it be commerce, industry, agriculture or the trading in securities, the Reserve System feels concern about excessive growth in any line of credit."

This is significant, for previously the attitude within the System was that it had nothing to do with credit expansion which passed into the realm of "inflation," unless this had to do directly with commerce, industry or agriculture. The former attitude was "traditional," if anything so young as the Reserve System may be said to have traditions. It was the "Sunday stand," to be talked about in a professorial sort of way, but not to be used as guidance on Monday, Tuesday and Wednesday. The significance lies mainly in the fact that the head of the System speaks out in meeting and says that the Reserve System's interests are as broad as everybody has always known they were. The statement breaks down barriers of academic thought. Hereafter, little by little and bit by bit, the reserve authorities will confess an interest in the use of credit in the stock market and shape their policies to fit. Nor is it only credit inflation in the stock market which will draw their interest; the policy will apply equally to real estate and commodities and anything else inflated by what it deemed to be the unwise use of credit.

Out Into the Open

GOVERNOR YOUNG also said, in an address before the Academy of Political Science on Nov. 23 (printed in the December issue of the JOURNAL) that the System realized in 1927 that a 3½ per cent rediscount rate "might be an encouragement to further stock exchange activity; nevertheless it determined that this would be the lesser of two evils and decided to adopt a policy of easing the money market." Such statements as these indicate that the managers of the System recognize well in advance what their acts are likely to produce, and that they are giving close watch to causes and effects.

These are only passing examples, or symptoms, that thought is active concerning what the Reserve System could and should do. From now on, with Congress in session, there is bound to be a flood of suggestions as to what should be done by law or by administration to make the Reserve System even more influential than it now is in the controlling of credit. The danger of actual enactment of crude legislation is very small. Radical proposals, shocking to bankers who know credit mechanism, really should be welcomed, for they bring out into the open many misunderstandings and suspicions which otherwise persist without the knowledge of the credit-wise men. They can be combatted, and the combat is stimulating to public thought.

New Books

WILLS. By Gilbert Thomas Stephenson. Published by F. S. Crofts & Co., New York. 322 pages. Price, $3.00.

Written in popular style, the book is intended to suggest to laymen, lawyers and trust officers, the practical steps testators should take and the practical points they should cover in the preparation of wills.

The plan of the book is to take the reader, step by step, from the moment he asks himself the question, "Should I make a will?" through the mental processes of deciding whether or not he needs a will, of assembling information about his estate and his beneficiaries that his attorney will ask for, of selecting his executor and trustee, of working out the terms of his will, of executing his will and putting it away for safe-keeping, of revising it from time to time to keep it up-to-date, on down to the day the will is ready for probate.

POST-WAR MONETARY STABILIZATION. By Gustave Cassel, Professor of Economics, University of Stockholm. Published by Columbia University Press, New York City. 100 pages. Price, $2.50.

A series of three lectures delivered by the eminent Swedish economist at Columbia University under the Julius Beer Foundation. The first is a factual account and a theoretical explanation of the recent inflation and stabilization processes in various European countries. The second considers the gold standard, including a discussion of the possibility of stabilizing the value of gold. The third describes "the new gold standard and the dominant position of the Federal Reserve System in the world economy."

DIGEST OF RULINGS OF THE FEDERAL RESERVE BOARD. Published by the Federal Reserve Board, Washington, D. C. 647 pages. Price, $2.00.

A digest of the regulations of the Federal Reserve Board from 1914 to 1927, inclusive, together with the regulations issued under the National Bank Act and the instructions of the Comptroller of the Currency. It is in substance an annotated edition of the Federal Reserve Act.

A New Force in the Money Market

(*Continued from page* 672)

necessary to carry the dealers by taking securities under repurchase agreement when they cannot obtain funds elsewhere. Small fluctuations in the security holdings of the Reserve banks are commonly caused by these purchases under repurchase agreement and have no significance as reflecting Federal Reserve policy, but large changes in security holdings are principally due to policy.

The observed experiences in the past six years has demonstrated rather precisely the way in which purchases or sales influence the credit situation. Purchases of securities put funds into the money market, which are ordinarily used by member banks to repay discounts at the Reserve banks. The consequence is that member banks find themselves in a position to lend somewhat more freely.

Conversely, sales of securities decrease the reserves of member banks and make it necessary for them to increase their discounts at the Reserve banks, and consequently tend to restrict their lending capacity. Purchases or sales of securities do not ordinarily affect largely the total amount of Reserve bank credit in use but rather affect the extent to which banks feel responsibility for its use.

The principal operations in government securities since 1922 have been the following:

A purchase of securities early in 1922.
A sale of securities in late 1922 and early 1923.
A large purchase of securities from January to September, 1924.
A sale of securities early in 1925.
A small purchase and later sale of securities in the spring and summer of 1926.
A purchase of securities in 1927.
A sale of securities early in 1928.

Many erroneous conclusions have been drawn as to the motives for these operations. One favorite misstatement is that action was taken to help Europe; another is that the Reserve System was seeking to stabilize commodity prices; still a third is that the system was seeking to encourage or discourage speculation.

Shades of Influence

ONE of the fallacies to which the human mind is prone is the over-simplification of other people's motives. Everyone in his own experience knows that the decisions he makes represent the weighing of a whole series of factors. Any over-simplified statement such as the statement that we bought securities in 1927 to help Europe gives a quite erroneous picture of Federal Reserve action.

A decision to buy or sell securities has always been reached only after a careful survey of all the facts available as to both domestic and foreign conditions, and any accurate description of the reasons why action was taken would have to review all the factors and indicate the shades of influence which each one of these might have on the decision. It is therefore difficult, if not impossible, to describe in a few words the factors which have determined the open market operations of the System.

It is possible, however, to summarize some of the circumstances related to open market operations. In my judgment the most important fact about these operations is that purchases of securities have always taken place at times when business in the United States was either somewhat depressed or receding, and thus at times when additional supplies of credit might be expected to serve as a stimulating element. This was true when purchases were made early in 1922, the spring and summer of 1924, the spring of 1926, and the late summer of 1927.

Conversely, sales of securities have always taken place at times when business was active and when increases in the volume of credit were tending to stimulate speculation, price increases, overproduction, etc. This was true in the spring of 1923, the spring of 1925, the summer of 1926, and the spring of 1928.

Much attention has been given in this country in recent years to the discussion of methods of ironing out the fluctuations of the business cycle. One proposal discussed most recently has been for the government to set aside a reserve fund to be used for building construction at times of slack employment when the business cycle is at its trough. Another most important influence upon the business cycle is the volume and cost of credit.

In general easy money tends to stimulate business and firm money tends to depress it, and a credit program which favors cheap money when the business cycle is receding, and firm money when the cycle is moving toward its peak, should be an influence toward smoothing off the cycle and giving us a more steady and even prosperity. The open market operations of the Reserve System in government securities since 1922 have conformed precisely with this principle.

There is no way of proving precisely the effect of these operations on the whole credit and business situation, but it is my belief that they have aided in keeping recessions from being depressions and in keeping prosperity from degenerating into booms.

Important Limitations

CONCERNING the precise operations of the law of cause and effect in open market transactions, it is always dangerous to pass judgment, for the situation is always complicated by many interrelated factors. In general also the few years during which these transactions have been carried on are not sufficient to form a basis for final appraisal, but the available evidence all indicates that open market operations have been an effective method of Federal Reserve influence upon the credit and business situation which cannot wisely be discarded but are destined to play an important rôle in the future.

One further thought should be added to this discussion, for there is always danger that a discussion of this sort should leave an impression that the Reserve System is omnipotent. In practice there are at least three important limitations to Federal Reserve powers.

The first is that the Federal Reserve action is only one of many influences upon the money market. The Reserve System may influence but cannot control the international flow of funds, the accumulation of capital, the spirit of speculation, the use of currency, and many other factors. Indeed, any Federal Reserve action tends to set up its own offsets. High money rates tend to draw funds from all over the world; low money rates tend to repel gold and encourage the use of credit and thus lead in turn to higher rates. Thus any policy sets in motion the very tendencies which will nullify it in the long run.

The Ultimate Danger

A SECOND limitation is that, generally speaking, the Reserve banks can only deal with the total volume of credit, with the money market as a whole, and not with particular uses of credit. A change of rates or an open market operation affects all interest rates. The System, for example, cannot exert an influence toward higher money rates for speculative use of credit without to some extent raising the cost of commercial money.

This is true whether the speculative use of credit be in real estate, commodities, the security markets, or anywhere else. The System can deal with a general inflation by raising rates and selling securities, but has limited power to deal directly with specific situations. That is a problem for the banks who grant credit and for individuals who use it.

Still a third limitation on the action of any bank of issue is the necessity for protecting its gold reserves. Historically banks of issue have perforce determined their policy largely from this necessity and only as a secondary consideration have been able to consider the general desirability of easy or dear money for a country's prosperity. Since 1921 this country has had so much gold that it needed to give but little regard to its protection. In fact, the problem was reversed—we had to consider the ultimate danger of too large gold reserves.

Seeking a Scapegoat

THE loss of half a billion of gold in the past eighteen months brings us nearer to the time when the status of the country's gold reserve cannot be disregarded, and when the Reserve System will of necessity operate more nearly in accordance with the traditional practice of banks of issue under the gold standard. It often happens that this traditional practice calls for precisely that action which would be indicated by more general considerations. This was notably true in the past year.

Under the traditional practice, gold exports would have led promptly to higher discount rates to protect reserves. Exactly the same action seemed wise for quite other reasons. Over a term of years in the future, however, the need for protecting gold reserves may be expected to act as something of a limiting factor upon Federal Reserve operations.

A New York City bank recently made inquiries in London as to the money outlook. The returns showed differences on many points, but perfect agreement upon one point that the Federal Reserve Board held the key to the situation. It is not necessary to go to London to hear this view expressed. This is a delightfully simple but not a sound solution of monetary problems.

The human mind delights in personalizing the forces of good and evil. It is constantly seeking a scapegoat. The Reserve System has large powers, but powers more limited than those often credited to it in popular imagination. This is perhaps the gravest danger the System faces—that too much be expected of it and thus there should be no possibility of realization of the expectations.

The responsibility for sound credit conditions in this country rests upon many shoulders. The Reserve System is devoted more exclusively to this end than in any other organization. But the final result depends not on it alone, but on the willingness of the whole banking community to consider the common good. This is nowhere more evident than in the American bill market.

Convention Calendar

Date		State Associations	Place
April	26-27	New Mexico	Las Vegas
May	14-16	Texas	Galveston
May	16-17	Missouri	
May	21-22	Oklahoma	Oklahoma City
June	17-19	Iowa	
June	19-21	Illinois	Aurora
June	20-22	Virginia	Old Point Comfort

Date		Other Associations	Place
Feb.	13-15	Trust Co. Midwinter Conference	New York, N. Y.
April	15-18	A.B.A. Executive Council	Biloxi, Miss.
June	10-14	Reserve City Bankers	Detroit, Mich.
Sept.	30-Oct. 3	American Bankers Assn.	San Francisco, Cal.

More Canadian Branches

STEADY increase in the number of branches maintained in the Prairie Provinces by the chartered banks of Canada is reported to the Commerce Department. Latest figures show a net increase of forty-two branches since Jan. 1, 1928.

The total number for the three provinces now stands at 985, distributed as follows: Saskatchewan, 460; Alberta, 293 and Manitoba, 232. Of the forty-two new branches established, nineteen are in Saskatchewan, thirteen in Alberta and ten in Manitoba.

According to the report to the Commerce Department the present policy of expansion appears to be much more conservative than during the "boom" period immediately after the war and branches are being established only where investigation indicates a permanent business sufficient to warrant the maintenance of a branch.

The more widely the JOURNAL is read in your bank, the greater your return. Are you subscribing for any of your employees? Every day something new is learned about banking—every month these new facts are brought together in the JOURNAL for the benefit of your staff. See that they are used for the best interests of your bank by placing this magazine in the homes of your employees.

Mass Prosperity

(Continued from page 635)

tions had been made, in excess of $1,000,000 each.

Of these multimillionaires, 134 returned net incomes of between $1,000,000 and $1,500,000, an actual average income of a trifle over $1,195,000. With incomes of between $1,500,000 and $2,000,000, there were returns made by fifty-four individuals, with an actual average income of about $1,735,000. With incomes between $2,000,000 and $3,000,000, there were fifty-five returns, with an actual average income of about $2,401,000. With incomes between $3,000,000 and $4,000,000 there were twenty-two returns, with an average of $3,402,000. With incomes of between $4,000,000 and $5,000,000, there were eight returns, with an average of $4,565,000. With incomes in excess of $5,000,000, there were ten returns, with an average return of $8,899,524.

It must be remembered that the above statistics are from the preliminary statement, which includes all returns for 1927 filed to August 31, 1928. By the time these statistics are completed it is possible that the number returning net incomes in excess of $4,000,000 will be shown to be more than the eighteen shown by these preliminary statistics. For 1924 there were only three returns of incomes in excess of $5,000,000 as compared with ten for 1927. These three individuals had an average net income of $9,318,000. This means that the average income of the seven individuals entering the "over $5,000,000 class," increased at least $3,000,000. This proves that the number of taxpayers—when not affected by the increased exemptions and tax credits—has increased enormously during the last three years prior to 1928.

Larger Tax Returned

THE taxable net income returned for 1924 by individuals with net incomes between $5,000 and $10,000, was $2,906,143,000, as compared with $3,491,992,000 for 1927, an increase of over 20 per cent. This, compared with the increase in the number of returns in this income zone of 18 per cent, indicates a greater increase in the net income than in the number of returns.

The net income returned for 1924 by individuals in the income zone between $10,000 and $50,000 was $4,396,636,000 as compared with $5,769,539,000 for 1927, an increase of $1,372,900,000. The income returned in the zone between $50,000 and $100,000 was $1,053,650,000 for 1924, and $1,527,683,000 for 1927, an increase of 45 per cent, as compared with 44.3 per cent increase in the number of returns for the same zone. The income returned by individuals with incomes in excess of $100,000 in 1924 was $1,223,312,000, as compared with $2,808,595,000 for 1927, an increase of over 121 per cent as compared with something less than 104 per cent increase in the corresponding number of returns.

This indicates a large increase in the number of taxable returns for 1927 over 1924, in comparable returns, and a larger increase in the corresponding taxable income. The result is the actual increase in total tax returned of over 18 per cent in spite of a reduction in the total number of returns of over 43 per cent and a probable reduction fully equalling 40 per cent in the rates of tax.

Vast Capital Gains

THE sources of the incomes returned may be of interest. For 1924, over 47 per cent of the entire income reported was derived from wages and salaries, while for 1927 this item represented only 38½ per cent of the total income reported. This statement, however, needs further explanation.

For 1924, the total returned for wages and salaries, divided by the total number of returns, was $1,886, while the similar figure for 1927 was $2,437, an increase in the average wage of over 29 per cent. In fact the average per capita derived from each source of income enumerated increased from 1924 to 1927. This increase ranged from 29 per cent for wages and salaries to 388 per cent for profits from capital gains. The per capita or average gain in total income returned increased over 58 per cent, as compared with an increase of over 65½ per cent in the average of the taxable net income returned for 1927.

The outstanding features in the changes in the sources of income for 1927 are the enormous increase in income derived from dividends, and from the sale of property, both real and personal, but especially that classed as capital assets. The 1927 preliminary returns of incomes from dividends over the 1924 similar returns show an increase of nearly a billion dollars, to be exact, $948,986,060, an increase in the per capita or average return of about 129½ per cent. The like increase in profits from the sale of capital assets was $679,628,640, or in the per capita returns, an increase of over 388 per cent; and from sales of property held not in excess of two years, $625,233,721, or an increase in the per capita return of about 176 per cent.

The explanation of this condition is the phenomenal corporate prosperity which necessarily increased dividends, and the abundance of money among individuals, caused largely by reduced taxes, encouraging the purchase and repurchase of securities, as evidenced by the unprecedented activity in the security markets of the country.

A study was made for THE JOURNAL some three years ago, based upon the preliminary statistics of income for 1924, of the number of millionaires then in the country. The great increase in the number and incomes of wealthy people, as evidenced in the returns so far available for 1927 would seem to warrant a new study of this subject.

The number of returning net incomes of $50,000 but not in excess of $100,000, according to these returns, was 22,460. Those received by way of salaries and wages, $302,415,484. In this zone was also included $48,102,405 as returned as income by fiduciaries from the estates of deceased persons or other trust estates. This reduced the net income of $1,527,683,375 received by these 22,562 persons to $1,177,165,486.

The dividends received by them were returned at $620,033,743. Some of these dividends were at immense rates, as can be seen by the prices at which certain stocks were sold. The net income from business, returned by the taxpayers in this zone, was $89,233,579, while from the earnings of partnerships it was $156,095,380. The profits returned from the sale of property, other than that included in capital net gain, was $176,377,350, while the capital net gains returned was $168,588,031.

Much of this latter profit was at rates in excess of 100 per cent representing accumulated gains over many years, especially in the case of sale of realty. The receipts from rents and royalties returned amounted to $49,639,688. The receipts from interest and investments returned was $145,411,936, while the interest received from United States obligations not wholly tax-free was returned at $7,525,860. In addition to the taxable securities held by the taxpayers in this zone, their returns showed that they owned $916,022,156 of tax-free securities, and received tax-free interest thereon of $44,899,185, an average rate of about 5 per cent.

A careful analysis of these figures, and a full study of certain other factors would seem to indicate that there are about 4000 persons in this zone whose net assets are worth in excess of $1,000,000.

The number of returns with net incomes in excess of $100,000, according to the preliminary statistics for 1927, were 11,067. The taxpayers in this zone returned income as follows:

Wages and salaries	$262,030,802
Fiduciary	39,783,860
Business	65,285,511
Partnership	275,412,988
Profit from sales:	
Not capital gains	279,337,365
Capital net gains	865,455,798
Rents and royalties	49,739,167
Interest and investments	172,150,197
Interest on taxable United States obligations	10,325,860
Dividends	1,185,943,926
Total net income	$3,205,465,474

The total wealth of these 11,067 individuals may be estimated at somewhat over $50,000,000,000. Of this, it is probable that the ten wealthiest own something over $4,000,000,000.

Of the 11,067, it is probable that the entire net wealth of about 1200 of them does not reach the million dollar mark. This gives as a net result about 13,867 individuals who made income tax returns for 1927 that were included in the preliminary report thereon, have wealth in excess of $1,000,000 each. To this may be added some few not included in the above whose wealth is unproductive, and whose actual income consists largely of dividends. It would be safe to say that the entire number of millionaires in the United States, as of the end of 1927 was not very far from 14,000, or an increase of about 3000 within a period of three years—years of unsurpassed prosperity for the individual population of the United States.

The Orient Beckons the Dollar

(*Continued from page 637*)

place in China, it will probably do so indirectly, allowing other countries whose policies in China permit more positive action for the protection of their interests to take the risks.

The principal opportunities for direct loans will probably continue to be in Japan and Australia, and if political exigencies permit, in the Philippines. There are rich fields for American investment in these islands, provided questions of a political nature are settled.

It is generally believed that the American market is likely to remain the source of new capital for world development for some years to come, and it is safe to say that we shall undoubtedly continue to utilize our funds in such a way as to cause us the least possible political embarrassment.

A Load of Financing

A NEW field for America's surplus funds in the Far East as well as in other areas may be found in financing the sales of American manufacturers on longer credit than in the past. The traditional sixty or even ninety-day terms have never met the full requirements in most lines of trade in the Far East, where, because of the very inadequate transportation facilities, two or three months is required to move goods to the up-country consumer from the port. The financing of these shipments has been carried by local merchants of various European nationalities, but with the advent of American goods into these markets during the war, no corresponding American credit machinery has been inaugurated. American terms of payment, necessitated by banking practice designed primarily for domestic trade and hampered by state banking laws, barely permit the importer in the Far East to receive the goods before he is obliged to pay for them. The result is that while importers of goods from Europe are able to get from six to nine months' credit, their competitors who import from the United States get from sixty to ninety days. The practical result is the shifting to local money markets at high interest rates a load of financing which could be more cheaply done by the American manufacturer at home. This is an added charge on American goods which under present competitive conditions they can ill afford to bear.

The remedying of this situation comes within the scope of the commercial rather than the investment banker. It opens up a new and profitable avenue for the utilization of surplus American capital abroad which would be of great practical benefit in the extension of export trade. Installment buying is being introduced gradually all over the world with what many economists now believe to be beneficial results. The man who can "pay as he rides" is more likely to begin riding and keep on riding than the man who must first save up the price of a motor car. World prosperity, we have learned, depends upon a more rapid turnover in consumer's goods, and one way we have achieved this in this country has been through greater credit facility to the ultimate consumer. Foreign consumers of our goods in the great outlying markets of the Far East, however, are actually discouraged in their attempts to buy them by onerous terms of credit.

Opening up New Vistas

SEVERAL of the great motor car companies have realized this situation and have extended the operation of their acceptance corporations abroad with highly beneficial results. Other industries are about to follow, and a whole new field for the profitable employment of American capital is opening up. The term of credit extension naturally varies with the length of time required to place different lines of commodities into consumption. The terms on machinery, on iron and steel and other producers' goods, must necessarily be longer than those granted to the purchasers of goods which enter rapidly into consumption. The working out of these details is only a matter of time, however, and with the support of an enlightened public opinion at home, the time should not be far distant when the old objections to American methods of financing exports to distant markets like the Orient will be entirely eradicated.

Inasmuch as such a development in commercial banking will necessarily carry with it a more intimate knowledge of local credit conditions in these markets, it will provide a valuable background to investment bankers who may wish to extend their operations to the financing of all sorts of local projects in these distant communities. The needs for municipal improvements of every description even in the more stabilized areas of the Far East are apparent to even the casual visitor and many opportunities for paying investments in sewerage plants, electric lights and gas plants, good roads and even modern hotel equipment open up new vistas for the investment banker who is fortified by adequate information on local conditions and has the support of a well informed investing public in this country. Such loans, moreover, usually carry with them large orders for supplies which, with proper coordination of effort, could be placed with American suppliers.

The opportunities for the investment banker in the Far East present latent possibilities which require only intelligent handling to make them redound to the benefit not only of the exporter, but also of the investing public.

Shall We Change the Calendar?

(*Continued from page* 631)

2. The month is not a multiple of the week; with the exception of February each month contains four weeks plus two or three days, causing the day-names of dates to change continually in the different months.
3. The calendar is not fixed, but changes each year; as the ordinary year has one day over fifty-two weeks the date of the month falls each year on a different day of the week from the preceding year.

These three defects cause unnecessary inconvenience, difficulty, and confusion to men and women in all walks of life, especially to the accountant and the statistician. As the month may contain tweny-eight, twenty-nine, thirty or thirty-one days, all calculations of salaries, interest, insurance, pensions, rent, etc., fixed on a monthly basis are inaccurate because they do not correspond with one-twelfth of the year. There is a difference of 11 per cent between the length of February and the length of March. There is even a greater difference between the number of working days which, of course, is the important factor in all business.

If allowance is made for Sundays, holidays and Saturday half-holidays, it is found, for instance, that in 1927 there were twenty-one working days in January and twenty-five working days in March, a variation of 19 per cent. In 1926 there were twenty-five working days in March and twenty-two and one-half working days in May. If no adjustment were made for output, for instance, between March and May of that year, the manager of a concern, assuming that production had been uniform, would have the impression that the output had declined 10 per cent between March and May.

Cause Misconceptions of Business Trends

IT is expensive to make adjustments for these variations, yet, if adjustments are not made, monthly comparisons are misleading. April and May ordinarily show a decline from the high number of working days in March. This variation is the cause of many misconceptions each year regarding the course of general business throughout the country because in the publications of the data, adjustments are seldom made for these variations.

There is also a variation in the number of paydays during the months, and if adjustments are not made the monthly production, and cost reports of the manufacturer are misleading. The trouble caused by this variation is known well to accountants.

Since the various days of the week are not of the same value as regards the volume of trade, there can be no accurate monthly comparison between one year and another if the months do not, from year to year, include the same number of individual week days. For instance, we all know that Saturday is the most important day for department stores; in fact, the Saturday sales amount to 22.1 per cent of the total sales of the week while Monday represents only 15.5 per cent. Obviously comparison between June of one year when there were five Saturdays and June of another year when there were only four Saturdays would be misleading. Due to this variation in 1926, if the value of January is assumed as 100, February would have a value of 94.8 per cent and March a value of 105.8 per cent.

Another illustration: from the calendar of 1928 one will note that January has only four Wednesdays and four Thursdays. In the hotel business Wednesday and Thursday are the most profitable days, with Sunday and Saturday the poorest days. The hotel manager in 1929 comparing his receipts with 1928 may think he has had an unusually good month but he is only fooling himself.

Statements submitted by corporations to the bank credit manager may in the same way give erroneous impressions. For example, operating results for January with twenty-six working days and for February with twenty-two working days may show a difference entirely unwarranted by any fluctuations in daily turnover. Or a statement of financial condition may show rather heavy accrued liabilities because of the inclusion of an accrued Friday payroll in a month that ends on Thursday. Unless the reason for the discrepancies is pointed out, such statements do not tell the truth.

May Mislead Investor and Speculator

OPERATING returns of railroads and other corporations whose securities are dealt in on stock exchanges are subject to the same erroneous interpretation and may mislead both investor and speculator.

It is clear, therefore, that if adjustments are not made for the number of week days in the month all monthly reports are misleading and incorrect comparisons are obtained between the months of the same year and between corresponding months of different years.

Because the date of the month falls each year on a different day of the week from the one on which it fell in the preceding year, the dates of periodical events can never be fixed in advance with precision. Complications arise especially in setting regular dates for meetings and providing for holidays that fall on Sunday. Confusion arises because the holidays occur on different days of the week in different years.

Conditions have changed greatly and work is conducted on an entirely different basis from that which prevailed almost two thousand years ago when our present calendar was established by the Cæsars. All other factors and auxiliaries of business, such as mediums of exchange and currencies, commercial laws, banking and credit systems, standardization of time, labor-saving machinery, production methods, and transportation methods have been changed and are constantly being changed to conform to the demand of modern business. Why should not the calendar now be changed in order to conform more nearly to modern needs?

Business men are not the only ones who are adversely affected by the defects in the present calendar. Records and comparisons are equally important to scientists and investigators in various fields of endeavor. It is just as important that the basis of these records be uniform and accurate as for business records.

For many years men in different countries have recognized the disadvantages and imperfections of the existing calendars. Many suggestions have been made to remedy some or all of these faults, and a great impetus was given to the movement in 1922 when a Committee of Enquiry to study and report upon the question was appointed by the League of Nations.

185 Plans Offered

THIS committee had submitted to it 185 plans for revising the calendar. The committee narrowed the possible plans down to the two which the National Committee on Calendar Simplification is placing before the country. The thirteen-month plan thus far has the largest number of supporters. This

plan, which is called the International Fixed Calendar, was devised by Moses B. Cotsworth, British scientist and statistician.

In brief, the International Fixed Calendar consists of thirteen standard months with each month consisting of four weeks of seven days each. Each month of the year will always be exactly the same as the first four weeks of 1928. The new month, the name of which will be a matter for consideration by the International Conference, will be inserted between June and July, as at

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

Every Month the Same

that time of the year the change will cause the least confusion with respect to the seasons. The 365th day will be December 29 and will have no week day name. This day will be inserted as an extra Sabbath between Saturday, December 28 and Sunday, January 1. In like manner, in Leap Year the extra day, June 29, will be placed between Saturday, June 28, and Sunday, the first day of the new month.

All the defects which have been listed above as obtaining under the present calendar can be overcome by the proposed 13-month calendar. It would therefore have the following advantages over the present calendar:

14 Advantages

1. All months would be equal, each having twenty-eight days.

2. The day of the week would always indicate the monthly date, and conversely, the monthly date would indicate its week-day name.

3. The complete four weeks would exactly quarter all months, harmonizing weekly wages and expenses with monthly rent, accounts, etc.

4. Pay days would recur on the same monthly date, which would facilitate both business and home life.

5. Each week-day would recur on its four fixed monthly dates, thereby making more regular the weekly and monthly work, payments, production, etc.

6. All periods for earnings and spending would be either equal to or exact multiples of each other.

7. Holidays and other permanent monthly dates would always occur on the same week day.

8. Every month-end would coincide with the week-end. Fractions of weeks at month-ends would cease.

9. The month of exactly four weeks would obviate many of the adjustments now necessary because of the variation in the month. All months would be comparable without any adjustment being made for unequal number of days or unequal number of weeks. A great amount of clerical work would be eliminated in the preparation of accounting and statistical reports in government, business, scientific, health, and home affairs.

10. The reckoning of lapse of time for interest and other purposes would be greatly simplified; e.g. first month tenth day to sixth month twentieth day; $28 \times 5 = 140$, plus 10, would be 150 days. Drafts and notes need never fall due on Sundays.

11. All holidays could be placed on Monday with advantage both for industry and for workers.

12. Easter could be fixed, which would be of benefit to churches, to certain industries, and to schools.

13. As there would be thirteen monthly settlements during the year instead of twelve, there would be a faster turnover in money; the same volume of business could be handled with less money.

14. There would be a saving of money in printing calendars, and of time in referring to calendars.

The proposed thirteen-month calendar has the following disadvantages:

1. The figure thirteen is not divisible by two, three, four or six.

2. The quarters of the year do not contain a whole number of months.

3. There would be thirteen monthly closings, reports, statements instead of twelve, with one blank day.

4. The introduction of a year of thirteen months requires a change in customs which have been established for many years.

Regarding these objections it may be said to be unnecessary to divide the year by three or six. Thus the first two objections resolve into the one objection that the end of the quarters and half-years do not coincide with month-ends. Under the proposed calendar the quarters and half-years would end with the week. In this country, and most other countries, the number of quarterly transactions is relatively very small when compared with the number of monthly transactions.

Additional Clerical Work Offset

THERE would be additional clerical work necessary in preparing thirteen monthly statements instead of twelve, but the saving due to the elimination of the various adjustments now necessary on account of the variable months would more than offset this additional work. This has been the experience of concerns now using a thirteen-period year for their accounting records.

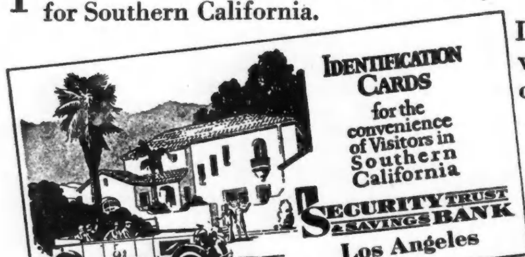
Regarding the fourth objection, any calendar change would involve a change in customs. A change would be desirable only if the advantages which have been enumerated above outweigh the disadvantages.

One of the best indications of the value of the thirteen-period calendar is the present use of such a calendar by many business concerns, more than a hundred. The number of these concerns is steadily increasing and several large companies are commencing the calendar this year.

Many of the advantages of the International Fixed Calendar can be secured by a company using the thirteen-period calendar but obviously all the advantages cannot be obtained because for many operations the twelve-month calendar will still be necessary. It is still necessary to follow the regular calendar in mailing invoices to customers at the end of the month and in handling payments of accounts payable. Nevertheless these companies have found that the advantages to be derived from a thirteen-period calendar far surpass the inconvenience experienced in having to use two calendars.

Any calendar change would cause a certain amount of inconvenience in the first year or two after its adoption because there will be difficulty in making comparisons between the months of the new calendar and the corresponding months of the old calendar. In this respect a calendar change would not be very much different from a change in the accounting system of a plant. All anniversary dates, birth dates, and holidays would be changed but there would be little actual difficulty in determining the new dates from an adjustment table.

There would be no legal difficulty encountered. All that would be necessary would be an Act of Congress stating that such a calendar, as agreed upon in international conference would



take effect on a certain date probably two or three years in advance. This Act would include, as a part of it, an adjustment table and would provide that dates on existing bonds, mortgages, leases, contracts, etc. would be automatically changed to the corresponding dates of the new calendar as determined from the adjustment table. It would be unnecessary to recall outstanding bonds and have the old dates erased and the new dates put in; the maturity date under the new calendar would simply be determined by reference to the adjustment table. A conversion table has already been devised for converting salary, rent and other monthly payments to 13-month years.

It is believed by many advocates of calendar revision that the present movement is certain to succeed, as was the acceptance of standard time. There exists only one obstacle and that is inertia. But changes in the calendar have been made frequently in the past; in fact, since the World War, nations with population of more than 300,000,000 inhabitants have changed their calendar. The Greek Orthodox countries in October, 1924, adopted the Gregorian Calendar and Turkey in January, 1926, changed to the Gregorian Calendar and recently changed their rest day from Friday to Sunday.

If a new calendar is adopted it must take effect in a year when January 1 is Sunday, as in 1928. The next year that this condition exists is 1933 and that is the year toward which advocates of the change are aiming.

Diary of a Bank Examiner

(Continued from page 633)

Inquiry develops the fact that included in his real estate is the home which belongs to his divorced wife and not to Huggins at all, and the balance of his property was bought on contract on which he was never able to pay more than the initial payment of $500.

"Bert has had a hard run of luck," the cashier insists. "First year while prices were high his crops were a failure, and next year he had a big crop but prices were too low and he got nothing for it."

"What was the money used for?"

"Well, part of it went to pay off the other bank (where he formerly kept his overdraft) and the balance was to enable him to hold over his grain last year as there was every prospect of better prices."

The cashier's attention is called to the fact that interest has not been paid for nearly a year and is much surprised and inclined to think it an error on the part of the bank, as Bert has always been very careful about such matters. Another reference to the note teller shows that notices have been sent regularly to Huggins who has paid no attention to them, and cashier appears to be downcast to find his faith in such an exceptional character thus betrayed.

The local merchant who has thus far maintained a discreet silence is called by 'phone from the store (evidently having been in these examinations before) and is not seen again.

With the discussion of a few more notes the second day draws to a close and with a parting admonition that he would like to make an early start the next morning the examiner calls it another day.

The Essential Executive Quality

(Continued from page 684)

may adopt the easy habit of acceptance instead of forming the habit of independent thinking. In my opinion, what American banking and business today needs more than anything else is young men and women who think. By that I mean those individuals who are not mentally anchored to tradition and who do not merely appropriate other people's ideas. We need not simply mental drifters and dreamers, but rather young men and women who are hard thinkers, purposeful thinkers, independent and unprejudiced thinkers, free from tradition, and with the ability to concentrate and strike straight for the heart of a problem.

"America has astounded the world by its readiness in casting aside traditional viewpoints, disregarding traditional difficulties, and pioneering new shortcut formulas in the realm of business. Business and banking are undergoing epochal changes.

"BUT every advantage has its danger; and in the present trend, too many who are not deep or independent thinkers may blindly accept each new idea and make a quickwitted but frequently unsound application of it to a great variety of situations. We have all seen what happens when a school boy confidently applies the wrong mathematical formula. And this is what has happened—and will surely happen hundreds of times—in business and in banking among those who have learned by rote and who apply the letter without understanding the spirit.

"Intelligent thinking to my mind is the essential executive quality for the new business era we are now entering. It was by disregarding precedent and by relying on sound creative thinking that the Federal Reserve banking system, the greatest organization of its kind in the world's history, was created. It has been by sound thinking that the spectacular successes in consolidation, chain store operation, direct selling, scientific organization, mass production, and every other great business or banking initiative have come to flower.

"Looking at the dark side of the picture, it has been through unsound thinking and inexcusable ignorance that the pathway of progress has been strewn with mediocrities and failure both in business and in banking.

"WE may sometimes be tempted to feel that all the great problems have been solved and that nothing remains but to apply the right formula. To any who have reached this conclusion, the highest rewards in business and banking must certainly remain closed.

"As a matter of fact, banking and business problems are crowding in upon us so rapidly that while the manual worker is thinking of a six-hour day and a five-day week, the executive knows not where to look for adequate help or relief. With the enormous increase in size and intricacy of business affairs, the problems have become so complicated and the mass of information necessary to the solution of a given problem so great that the days are not long enough. This is merely another way of saying that the demand for managerial and executive ability is rushing ahead—that the opportunity for young men and women who have the professional training and who have developed genuine thinking power is greater than ever before."

Condition of Business

(Continued from page 680)

today by commercial and investment bankers, these four seem to stand out. No one who seriously analyzes banking conditions could fail to recognize that money rates are governed by the free law of supply and demand for bank credit. If the situation is temporary it will pass away with reversed imports of gold, which are unlikely, or decreased demand from agriculture, manufacturing and commerce, which is undesirable, or liquidation of secured loans and deflation of stock prices, which most investment bankers and the speculative public alike would strongly oppose.

If there is any other avenue of escape from high money rates, it has not yet been discovered or announced, and its inventor will make an immortal name for himself in economic history. To simplify this problem the Federal Reserve Banks and the magic of their policies may as well be left out, since their influence is limited to relatively short periods of time.

Banking Reports Do Not Reflect Brokerage Expansion

DURING the past year there has been an increase in the combined loans and investments of reporting member banks amounting, roundly, to $1,000,000,000. This represents an increase of only 5 per cent, which is no more than is normally expected.

The gain is about equally divided between loans secured by stocks and bonds, and so-called commercial or "all other" loans. Investment holdings stand around the same level as a year ago, but have been liquidated materially during recent months, otherwise the increase in borrowings from the Federal Reserve banks would have been much greater.

These reports on the condition of the banks, however, do not show the complete picture of the credit changes that have taken place. Loans secured by stocks and bonds have actually increased, not by $500,000,000, as shown on the bank reports, but by $1,500,000,000!

During the year these advances made to brokerage firms by New York City banks on their own account decreased by approximately $300,000,000, a fact seldom appreciated by many critics in the interior, who blame the New York banks both for encouraging the wild stock speculation being witnessed by lending funds in Wall Street instead of holding this credit for the use of trade and industry, and for taking advantage of present abnormal rates by further diverting bank credit to this channel.

Such loans made for the account of out-of-town banks increased during the year by approximately the same amount by which the New York City banks had curtailed, thus offsetting any change for all banks combined.

Encouragement of speculation and taking advantage of high rates is due to the lenders other than reporting banks, who increased their loans to brokerage houses by well over $1,000,000,000 in the last twelve months. These lenders include private bankers, industrial corporations, investment trusts, and foreign account.

Effects of the heavy trading in the New York stock market during the last few months are not confined to the United States, but their influence in the financial centers of the old world was pointed out by H. A. Mathews, vice-president of the American Exchange Irving Trust Company, who has just returned from several weeks' travel in Europe. "There are evidences everywhere," said Mr. Mathews, "of substantial amounts of European capital being loaned in the call money market here. Some of this has been placed with private bankers in the form of deposits bearing interest at a rate based on the call money rate."

The position of the Federal Reserve banks has been weakened somewhat during the past year by the expansion of bank credit on the one hand and loss of gold reserves on the other. Has the financial world fully appreciated the fact that the ratio of total reserves held by the Reserve banks to currency and deposit liabilities combined has declined to the lowest figure reached since January, 1921?

Gold holdings by the System of $2,500,000,000 may mean 60 per cent of its liabilities, but this gold is the ultimate reserve for all the banks in the United States, with deposits of nearly $40,000,000,000. Furthermore, the banking statistics do not include this huge volume of call loans made by corporations, etc., for their own account, instead of being kept in the banks in the form of deposits, against which the banks would have to carry reserves, as was customary in the past.

Stock Market Recovers But Future Uncertain

AFTER the sharp break in the stock market last month, which occurred about the time our December review was published, there has been a recovery of perhaps three-fourths of the ground lost, on an average. Considerable irregularity is apparent, however, despite the more comfortable feeling brought about by reduction in brokers' loans.

Industrial shares, as measured by the *New York Times* index of twenty-five selected issues, stand around 320, which is a few points below the year's high before the break, and compares with a low of 233 in February, 1928. Railroad shares, which advanced hardly at all in last year's bull market, nevertheless shared in the break and are at present selling only a few points above the year's low of 118 in February, 1928, measured by the same index.

The volume of transactions on the New York Stock Exchange last year amounted to over 900,000,000 shares, contrasted with less than 600,000,000 the year before. Stock trading has grown so rapidly and become so profitable to brokers that the New York Produce Exchange has started trading in stocks, the Rubber Exchange is planning the same thing, and a stock exchange is to be established for St. Paul and Minneapolis. Wall Street institutions gave away Christmas bonuses of over $100,000,000. That is more money than all

(*Continued on page* 723)

Major Financing in December

Issue	Amount	Rate	Due	Price	Yield
Canadian National Railways Co.	$35,000,000	4½	1968	96	4.72
East Bay Mun. Util. Dist.	18,000,000	5	1935–77	—	4.45
State Line Generating Co. notes	14,000,000	5½	1930	99.10	6.00
Consumers Power Co., 1st	11,415,000	4½	1958	97	4.65
N. Y., C. & St. L. RR. Co., ref. C	11,275,000	4½	1978	94¼	4.80
City of Antwerp, Belgium, ext. s.f.	10,000,000	5	1958	94	5.40
Republic Brass Corp., 1st s.f. A	10,000,000	6	1948	103	5.74
Quebec Power Co., 1st & col. tr. s.f. A	8,106,500	5	1968	97	5.18
Delaware Elec. Power Co. deb	8,000,000	5½	1959	96½	5.75
City of Philadelphia	8,000,000	4¼	1978	101	4.176
New England Gas & Elec. Assn. conv. deb.	6,000,000	5	1948	97	5.25
N. Y. & Fgn. Invest. Corp. deb. A	6,000,000	5½	1948	92	6.20
LaSalle St. Bldg. 1st leasehouse s.f.	5,250,000	6	1929	100	6.00
Realty Assoc. Secur. Corp. gtd. s.f.	5,000,000	6	1943	100	6.00
Capital Administration Co., Ltd., deb. A	5,000,000	5	1953	99	5.07

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Condition of Business

(Continued from page 721)

the railroads in the United States make in a month!

Bonds Remain Inactive and Depressed

CONSIDERING the record activity in the stock market last year, it is not surprising to find that bond trading decreased some 10 per cent from the preceding year, and, in fact, fell to the lowest volume for several years.

Prices have been depressed ever since May, 1928, and an index of representative high-grade domestic issues stands three points below a year ago.

New offerings in December were even lower than expected. Only one large issue appeared, being $35,000,000 in 4½s of the Canadian National Railways Co. These bonds, with a maturity of forty years, were priced at 96 to yield the investor 4.72 per cent.

On page 721 is a tabulation of all offerings of $5,000,000 or over during the month.

Comptroller's Stand

(Continued from page 684)

the right to place an undue burden upon national and their own banks to such an extent as would make banking unprofitable or at least burdensome, which in the last analysis is the right to destroy a Federal instrumentality. National banks are the only compulsory and the most numerous members of the Federal Reserve System. To place the power in individual states to wreck an instrumentality, which is the foundation of the Federal Reserve System, is not only unwise but dangerous and fundamentally unsound.

"It is often difficult to reach the property of individuals for taxation purposes and when the burden on moneyed capital employed by individuals becomes too great it can and usually does leave the state. On the other hand, the bank's property can be easily reached, it cannot leave the state and must either pay the tax or cease to do business. Moreover, the individual will favor heavy taxation on banks when the result is to lighten his taxes, thus giving the legislature a strong temptation to impose heavy burdens on the banks. The safety of the Federal banking structure should not be left to the power of the legislature to resist such a temptation.

"It is not to the interest of agriculture or business that any of the pending bills for amending Section 5219 should pass. If money invested in bank shares is taxed more heavily then other forms of property, less money will be so invested and profits upon such shares will be largely withdrawn in dividends instead of being left subject to excessive taxation. Without any doubt discriminatory taxation, diminishing as it does the security behind deposits, has been a contributing cause of many of the bank failures of recent years."

Not only would the proposed amendments be harmful as thus pointed out by the Comptroller but they are unnecessary. Those states which tax all property including bank shares at uniform ad valorem rates need no change since they are collecting their due share from the banks within the existing provisions of Section 5219, which also provides other various methods applicable to conditions in all the states for adequate and equitable taxation of the national banks in those states.

The American Bankers Association for years has striven to protect this statute from change in the best interests of all concerned and will continue to make a serious effort to do so at the present session of Congress in accordance with the position taken by the Comptroller.

New Economic Revolution

A NEW industrial revolution, likely to have even more portentous results than those which followed the classic industrial revolution of 150 years ago, when machinery was introduced into industry, is foreseen by the Royal Bank of Canada of Montreal.

Study of natural resources and productive capacity of the world, according to the bank, does not show any acute shortage of any resources necessary to permit a general increase in production. There is no general lack of land, labor or capital—the elements necessary for balanced improvement. New inventions, chemical discoveries and improved facilities for transportation and communication have prepared the way for a new period of rapid world-wide development. The whole world, says the bank, stands on the verge of that period of sound prosperity which follows catastrophe and reconstruction.

WHAT DO YOU THINK?

Being a more or less personal talk between the **EDITOR** *and the* **READER**

Old Fashioned Currency

EVEN with all its distractions and drawbacks there are still many small things in banking over which to be happy in the new year. There is, for instance, the matter of currency. Considering the size of the stream of currency it is remarkably pure. The bad bill, or the suspicious bill is not common, thanks to the vigilance of the Secret Service and the intelligence of the tellers, and how different this condition is from several periods in the history of the United States!

One such period came upon us at the time of the war of 1812 and persisted for some years after its close.

Then many good men thought that it was the inherent privilege of every citizen to issue his own money, as men now write their own checks.

That belief put into circulation a lot of crude paper "currency" issued by Tom, Dick and Harry, and he who was in business or trade must needs have his wits about him lest he wipe out the day's profits through the acceptance of a piece of paper having no value worth mentioning.

The perplexities of the small business men during this period are suggested in an admirable character study by Walter de Maris from which the cover of the February Journal will be reproduced.

The painting gives a glimpse into the past which may perhaps reconcile us to some of the small irritations of the present mode of doing business.

Sanctuaries

IN the heart of the financial district of New York City there is generally supposed to be no sentiment, yet in the heart of the financial district there is to be observed from day to day things that suggest to even the casual observer that after all there is sentiment, and plenty of sentiment there, the prevalent opinion to the contrary notwithstanding.

The March JOURNAL cover illustration will give pictorially, the reason why we think that the heart of the nation beats as strongly in the financial canyons as it does in other places.

A New Calendar?

SPEAKING of the New Year and what may be done with it, there is the matter of a new calendar, an intriguing subject and one that is really important.

If you have not already done so, turn back these pages and read the discussion by George E. Roberts of the proposition to have a new calendar.

The present calendar has served us a long time. Many customs have come and gone since it was adopted as a convenient means of measuring time and keeping track of things. Nations have flourished and languished in its time. Even hills have settled down since its adoption. The calendar has served mankind well but there has of late years been a growing feeling that perhaps it could be improved upon. If there is a better way of dividing the year, naturally the greatest obstacle to adopting that better way is the inertia to be overcome, for the old calendar is a part of our business and social life and it not to be hastily cast aside. In a sense it is like a trellis on which the fabric of history—political and family—has grown and if during the next few years a new calendar be adopted there are many who will part with the present calendar with real regret.

In presenting the proposition for a new scheme we are neither advocating it nor decrying it. Instead we are presenting a current proposition whose relation to money and credit is such that it behooves every banker to understand it and to acquaint himself with its possibilities—favorable or unfavorable—for his business and the business of his customers.

It is expected that the subject will be discussed at the spring meeting of the Executive Council.

24,000 Books

DURING the year just closed the American Institute of Banking has distributed to students taking its various courses approximately 24,000 text books—"Banking Fundamentals," "Commercial Law," "Negotiable Instruments," "Standard Economics," "Standard Banking," "Credits," "Investments," "Trust Functions" and "Public Speaking," the latter in two volumes.

In one sense the foregoing is an ordinary enough statement of the functioning of one part of the American Bankers Association. In another and a higher sense this distribution is well worth a moment's reflection. It is an index of the diffusion of exact information among bankers and bank employees. It is suggestive—and only suggestive because it does not encompass the whole work of the Institute—of the preparation of men and women to serve banking better than they are now serving—to assume responsibilities greater than they now assume.

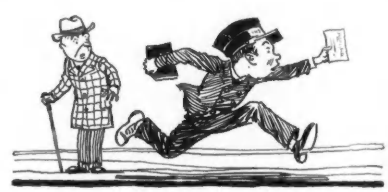
The information gleaned from just one book sometimes works wonders in a man, sometimes works wonders on public opinion. Twenty-four thousand books in the hands of students who know their objectives who, in most cases, can apply their information practically from day to day is an indication of a constructive progressive force in banking the influence of which will go on with the years.

"I may never reach my ideals but like stars they guide me on my way."

So He Telegraphed

WE had a telegram the other day from a man who had just finished reading the December issue of the JOURNAL. He was so well pleased with what he had derived from it that he would not wait to write to tell us of his appreciation. And a little while before that we had a letter from a man who was displeased because his favorite article had been "continued" over to another page.

We like both classes of messages. From the latter we derived great satisfaction because an article that makes a reader impatient over the necessity of turning to a new page is the kind of an article that is accurately reflecting the things he knows to be true.



Reader!

TO you, reader, to whom the JOURNAL has come from month to month during the last year we address ourselves.

It has been a pleasure to work for you during the year, to try to anticipate your needs and preferences for bank information—to select and send to you only those things which amply repay your time and to so present them that they would be acceptable.

In the year upon which we are now entering it is our hope to at least maintain the present standard of the magazine and perhaps to add to its interest and usefulness to you.

You and our other readers constitute an inspiring audience. A good thought, a new method making for efficiency or economy, sent to you through these pages is like seed on exceedingly fertile soil. Abundance is sure to come from it.

Sometimes you can, if you will, help this great family of readers by passing on to us information, suggestions, plans or experiences, not generally known, which have been useful to you and which should in turn be useful to others in comparable positions.

Like yourself, all the rest of the world wants constructive thought of practical application and, for the most part, this must come from the great reader-audience of which you are one.

The year stretching away before you is a year fraught with immense possibilities for you and for all of us—a year in which there may be achieved many things new, when there may be devised new and more magnificent ways for service, a year perhaps of undreamed of opportunities for you!

In the good will spirit of the season, we salute you and wish you a Happy New Year!

PROTECTIVE SECTION

AMERICAN BANKERS ASSOCIATION JOURNAL

Detective Agents
The William J. Burns International Detective Agency, Inc.

When a Forgery Is Presented

By G. H. Hottendorf, Protective Department

THE sudden realization that a forged instrument is being presented often finds bank tellers and their superiors in a quandary as to what to do. Their impulse to cause the arrest of a crook is overcome by their refusal to assume the risk of a possible suit for false arrest, should the presenter prove to be an innocent victim of the forger.

In actions for false imprisonment and malicious prosecution, the defendant's reasons for believing the plaintiff guilty of a crime are of vital importance. To avoid liability a private person must prove that a felony had in fact been committed and that he had reasonable grounds to believe the person arrested to be the felon. When a forged check is presented at the teller's window, a felony has been committed. Has the teller or bank officer reasonable grounds to suppose the presenter is the forger? If so, no liability is incurred by detaining him.

No uniform procedure can be prescribed for bankers to follow in all cases, as the varying circumstances must control the action taken. However, when a stranger attempts to cash a check which proves to be a forgery, and refuses to explain his possession of it or attempts to escape from the bank, a banker has just cause to believe him guilty of at least collusion in the felony. Therefore, the banker would be within his rights in detaining the suspected felon, at least *for questioning*. It is always preferable, however, to request the suspect to see a bank officer and endeavor to hold him under any suitable pretext until a local police officer can be summoned. The police officer should then be given the facts, and if he sees fit to make an arrest the responsibility is upon him.

Greater protection from civil liability is given police officers than private persons. Cases in which they have been held liable for false arrest, except when they acted maliciously, are very rare.

Even the most skillful check forgers are apprehended through the wide-awake tactics of bankers and, of course, men or women recognized as criminals either through articles published in this Section or from other sources should be held, by force, if necessary. The prisoner against whom there is only an "attempt to defraud" charge frequently proves to be wanted by other banks. Oftentimes the prisoner held on weak charges turns out to be a nationally known operator, with the result that the authorities holding him are flooded with detainer warrants from all over the country. Therefore, we again urge every banker to do his utmost to apprehend the perpetrators of any crimes or attempted crimes against his institution.

It would surprise bankers, if they could read the reports received by this department, to learn of the repeated successful frauds of those warned against in this Section. *Heed our warnings and when a forger enters your bank, allow him to leave only in custody of a police officer.*

Contents Noted by

President ____________
Vice-President ____________
Cashier ____________
Assistant Cashier ____________
Paying Teller ____________
Receiving Teller ____________
Guard ____________

January, 1929

Vol. XXI No. 7

Published in Two Sections — Section Two

Arrest These Crooks

Leonard C. Nelson

PARTICULAR attention is called to the accompanying pictures of LEONARD C. NELSON (2304) and GEORGE J. MacKAY (3498). In the early part of 1926, Nelson defrauded two New York banks by means of forged checks and later succeeded in negotiating other forgeries against Detroit banks. He was arrested in June, 1926, at Toledo, Ohio, returned to Detroit, and sentenced to a term of 2 to 14 years in the Michigan State Prison. A detainer warrant was lodged on the complaint of a New York bank, and in the early part of this year when released from the Michigan prison, Nelson was returned to New York.

Like many successful members of his profession, Nelson is a salesman of no mean ability, and his story of being a young innocent being lead astray by a "master mind" won for him the sympathy of the court. On his promise to reform, he was given a suspended sentence. It was not long, however, before he not only violated the terms of his parole, by not reporting to the proper authorities, but in addition is known to have committed at least one crime within the past few months in which the element of forgery exists. It is also believed that he is responsible for some of the forgeries through which New York banks are being defrauded at the present time.

A warrant charging violation of parole is in existence against Nelson and on his arrest additional charges will be preferred. He is reported to be associating with MacKay, who is badly wanted by the police of Cleveland, Ohio. Members having any information regarding the location of either of these operators or recognizing their pictures as being those of persons who have defrauded them, are requested to communicate at once with our agents' nearest office. Nelson who has used the aliases of Leonard C. Wilson and Charles T. Cornell, is 25 years of age, 5 feet 7½ inches tall, weighing 112 pounds; slim build, has dark brown hair, blue eyes, fair complexion and he should be recognized easily from the picture reproduced herewith, as it is an excellent likeness. MacKay, alias George L. Montgomery, is about 47 years of age, 5 feet 11 inches tall, weighing 187 pounds; has florid complexion, medium blue eyes and black hair mixed with gray, partly bald on top.

George J. MacKay

Easy Bail and Non-Membership

AT the time we published an article in the November Protective Section relating to the arrest of JOE MANALO (3447), alias Ruben, Rubels and Incarnacion, he was held under $15,000 bail. It therefore seemed that the banking fraternity would be protected from him for some time. On Dec. 4, however, his attorney secured a Supreme Court order reducing bail to $3,500, which, of course, was immediately posted.

As soon as Manalo secured his liberty he opened accounts in other New York banks, and by use of the same scheme previously outlined secured steamship tickets and $5,000 in American Express travelers' checks from the New York agents of a steamship company. The operator quickly cashed all the travelers' checks in New York and Philadelphia, and so far has evaded capture.

He will unquestionably make further attempts to defraud banks and steamship companies. Therefore, and in view of his past successes, we consider him one of the most dangerous worthless check operators now at large. We are again reproducing his picture with an urgent request that any member approached by him should detain and turn him over to their local police. The latter should be instructed to communicate with the New York Police Department, also the nearest office of our agents. Manalo, a Filipino, is 25 years of age, 5 feet 5 inches tall, weighing 135 pounds; has black hair, black eyes, very dark complexion and at times wears octagon shaped rimless glasses.

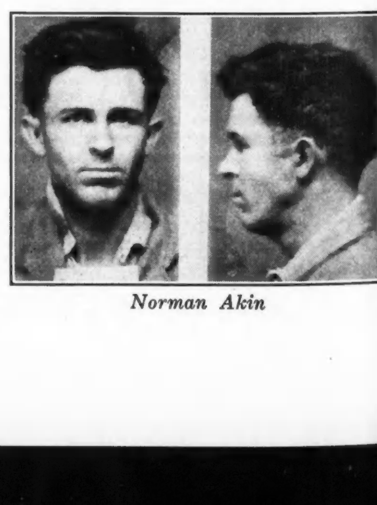
Joe Manalo

The value of branch banks being members of the American Bankers Association, even if the benefits derived therefrom were limited to receiving the monthly issue of the Protective Section, is strikingly illustrated by the success of this operator. Banks with which Manalo opened accounts on his release from custody were both non-member branches of New York banks. Therefore, they did not receive the November Protective Section, which contains a good likeness of the operator, with a complete description of his method of operation. Had this information been received by the branches in question, and properly called to the attention of their employees, the operator's rearrest would probably have been effected.

Since preparing the above, Manalo was arrested as he left a steamship at Honolulu, T. H. The arrest resulted from cooperation between our agents, local authorities and representatives of the American Express Company, and was effected by means of a photograph transmitted by radio from San Francisco.

Reward for Bandit

NORMAN AKIN (3504), was sentenced to a term of 25 to 30 years in the New Mexico State Penitentiary on May 18, 1927, as a result of his participation in the daylight holdup of the First National Bank of Elida, N. Mex. We are now in receipt of information that he made good his escape on November 26, 1928, and that the warden of the New Mexico State Penitentiary will pay $100 reward for his arrest. He is 23 years of age, 5 feet 10½ inches tall, weighing 152 pounds, has fair complexion, black hair and gray eyes. Fingerprint classification: 17/17 I/U O/O 11.

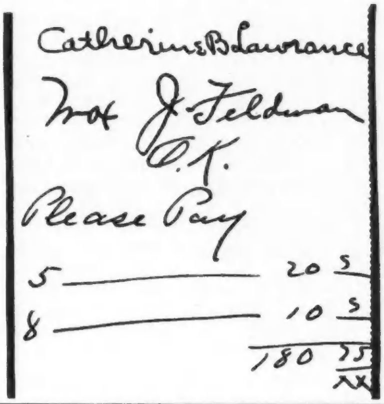


Norman Akin

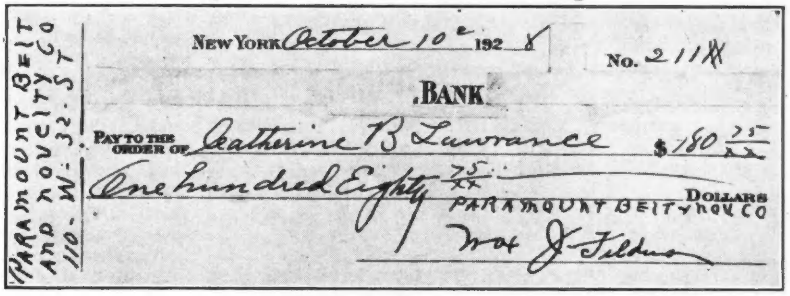
A Prediction Materialized

ON page 6 of the November 1928 Protective Section the activities of CATHERINE B. LAWRENCE (3443), were outlined. While at the time the warning was written she had not been successful in defrauding any bank, we expressed the opinion that she would shortly prove a very dangerous operator. This has proved true as we now have reports that she has been successful in negotiating four and possibly five forgeries totaling over $1,000. This woman is undoubtedly a member of a well organized gang of mail box thieves and in one instance a check addressed to a New York merchant from a customer in Waterbury, Conn., was stolen. She then went to Waterbury, and negotiated two forged checks, the signatures having been copied from the stolen voucher. Two days later a New York bank suffered a loss of several hundred dollars by paying the forged check of a depositor whose signature had been secured in the same manner as above described.

A different name has been used by the operator in each of the cases reported and this name is invariably inserted as payee. On the back of the check under her own indorsement, the signature of the depositor is again forged with "O.K." placed underneath. She then writes "Please pay" and indicates beneath this the denomination in which she wishes to receive the amount called for on the check, the inference generally being that the money is desired for payroll purposes.



Catherine B Lawrance
Max J. Feldman
O.K.
Please Pay
5 —— 20 s
8 —— 10 s
180 75/xx



NEW YORK October 10 1928 No. 211
.BANK
PAY TO THE ORDER OF Catherine B Lawrance $180 75/xx
One hundred Eighty 75/xx DOLLARS
PARAMOUNT BELT & NOV CO
Max J. Feldman
PARAMOUNT BELT AND NOVELTY CO 110-W: 32-ST

A specimen forged check used by Catherine B. Lawrence, and (above) the method of endorsement.

We are reproducing one of the forged checks and particular attention is called to the figures and the printing which appears on nearly all the checks negotiated. In cases where the depositor uses a form of printed check, this woman generally prints with pen and ink a reproduction of the printed form. If the attention of paying tellers is called to this fact and to the formation of the various printed letters, it should be an easy matter to cause the arrest of the operator. Should this woman present a check at your bank, she should be detained, and the New York office of our agents notified. She is about 35 years of age; 5 feet 7 or 8 inches tall; medium stout; has blond hair, probably bleached, and uses plenty of cosmetics; appears to be of either Jewish or German origin; wore a brown coat with a fur collar and horn-rimmed glasses.

When Courage Counted

CHEERFUL news is contained in reports of frustrated holdups of banks in different sections of the country. On Dec. 10, 1928, a bandit later identified as LEANDER J. SCHMELZ (3499), entered the La Jolla National Bank, La Jolla, Cal., and demanded money from Vice-President Pleisber. This courageous banker instead of reaching for money went for his gun, and both he and the bandit started shooting at the same time. The bank official's head was grazed by one of the bandit's bullets, the tip of his left ear shot off and his face cut by flying glass, but the bandit in running out of the bank was killed by a police officer who had heard the shooting in the bank. Schmelz was 22 years of age, and was recently discharged from the Marine Corps at San Diego, Cal.

The other report from Duluth, Minn., reports the failure of AXEL BABTILLA (3500), to secure any money from the First National Bank of that city. This bandit also picked Dec. 10 as his day to operate, and upon entering the bank presented to one of the officials a note with a demand for $50,000 printed in red ink. His actions aroused the suspicions of another officer who summoned police assistance. When a policeman in uniform entered the bank, the bandit shot him twice in the abdomen, but in trying to make his escape through a rear door encountered two city detectives, who disarmed and overpowered him. On being searched it was found that he had eight sticks of dynamite, with fuses attached, hanging around his neck. Unfortunately in this case, the policeman seems to have been fatally injured.

Forged Telegrams Again

A SPOKANE, Wash., bank received a telegram purporting to be signed by one of their depositors and instructing that the sum of $50 be wired to a bank in Three Forks, Mont., to his order. Without making any attempt to determine if their depositor really was in the vicinity of Three Forks, they wired the Montana bank the amount requested, but did not waive identification. Another telegram was received a few days later, but as the amount requested overdrew the depositor's account, his home was communicated with, and it was found he had not left Spokane. In this particular case, it is probable that the Montana bank will suffer a loss due to their acceptance of the operator's false identification.

Adler Accomplice Jailed

Jacob Greenspawn

JACOB GREENSPAWN (2008), a member of the notorious Adler Gang, is now in custody at Chicago, where he was arrested on a charge of forgery. Although Greenspawn's picture has appeared in previous issues of this Supplement, we are again reproducing it in the hope that some member bank will identify him as one who has defrauded them and have their local police lodge a detainer warrant with the Chicago authorities. Failure on the part of this gang's victims to identify its members following their periodic arrests has permitted and also encouraged their repeated successes.

Do You Recognize Them?

THE Pittsburgh police recently arrested DANIEL F. MULL (3525), his wife, ANNA M. MULL (3526), together with CHARLES T. STUTZ, JR. (3527), and PAULINE STUTZ (3528). The first two were accused of passing worthless checks, and indications are that they defrauded banks and others in Berkeley and Los Angeles, Cal.; Memphis, Tenn.; St. Louis, Mo.; Phoenix and Tucson, Ariz.; El Paso, San Antonio and Houston, Tex.; Indianapolis, Ind., and Dayton, Ohio. Pauline Stutz supplied information that when these people visited a town they went to various banks and secured blank checks, which they filled out and cashed in the next town they visited. Mull is said to have used the aliases of Charles V. Boultinghouse, Charles Brandt, Charles V. Boelton and Clark. Descriptions of the prisoners follow: Daniel F. Mull, 33 years, 5 feet 8½ inches, 149 pounds, medium build, black hair, medium dark complexion, dark blue eyes. Charles T. Stutz, 33 years, 6 feet 2½ inches, 155 pounds, slim build, light hair, fair complexion, gray eyes. Anna M. Mull, 21 years, 5 feet 5½ inches, 122 pounds, slim build, dark brown hair, medium complexion, dark brown eyes. Pauline Stutz, 40 years, 5 feet 9½ inches, 155 pounds, medium build, dark hair, medium complexion and gray eyes. Anyone identifying the above descriptions and method of operation with persons who have defrauded them are requested to communicate with Inspector Frank R. Boyd of the Pittsburgh Police Department.

Forger-Bandit Arrested

KENNETH M. HALL (3501), alias R. H. Reinhart, alias R. A. Harley, alias R. H. Harley, has been arrested by the police of Los Angeles, Cal., on a charge of assault to commit murder and attempted robbery, and has confessed being implicated with a gang of bogus cashiers' check operators in passing checks, using the name of the Crocker-First National Bank of San Francisco and the Los Angeles First National Trust and Savings Bank. Hall states his accomplices were FRANK BOWMAN (3502), EARL ROGERS (3503), and an unnamed girl and that a great many of the checks were passed in California. Hall is 21 years of age, 5 feet 7 inches tall, weighing 140 pounds; has brown hair and brown eyes. Fingerprint classification: 1/1 R/R IIIO/IIOO 19/14. No description of his accomplices are available but it is suggested that any bank defrauded or knowing a depositor defrauded by such checks, have their local police communicate with the police of Los Angeles, Cal.

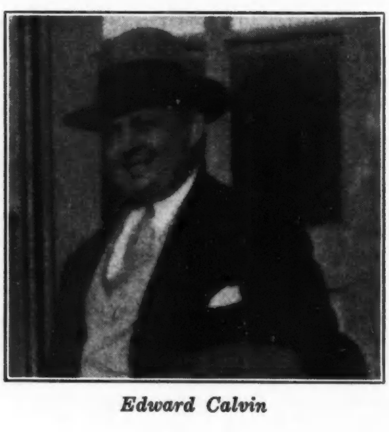
Another Dynamite Threat

DURING the early part of December, a messenger entered a Hollywood, Cal., bank and presented one of the tellers with a sealed notice which read: "We planted dynamite in your bank last night. Give this boy $5,000 and get him out of there in three minutes." Instead of complying with the demands of the note, police were called and the boy described the person from whom he had received it as 30 years of age, 6 feet tall, weighing 145 pounds; dark brown hair and mustache; wearing black sweater coat over a black suit with a light gray cap. While this man could not be located by the police, no damage was suffered by the bank.

Warnings

A. L. BARNARD (3505), using checks on which he has printed A. L. Barnard Drilling Company, is traveling throughout the middle west issuing bogus checks on which the names of different banks are inserted with a rubber stamp. He opened an account with a Joplin, Mo., bank, giving his check drawn on a bank in Wentworth, Mo., then used the name of the Joplin bank when opening an account in Pryor, Okla. He was last reported in Forest City, Okla., where he used the name of the Pryor, Okla., bank. No physical description is available at this time, but we are advised Barnard wears a 32nd degree Masonic ring and has a consistory card ostensibly issued by a Shrine temple located somewhere in Oklahoma.

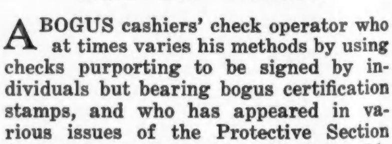
EDWARD CALVIN (3507), came to New York City last June and secured employment as an agent for a nationally known life insurance company, for the general agent of which he had previously worked in Kansas City, Mo. Calvin's pleasing personality and appearance produced results which seemed to insure his success with his employer and



Edward Calvin

it was not until the early part of December when a personal check of Calvin's given the company as payment of a policyholder's premium was returned "No account," any intimation was given that he was other than honest. Subsequent investigation disclosed that he had been withholding collections for the past several months and that in some manner he had obtained the company's check for 32 cents made payable to another agent, and had raised the amount to $485.32. He secured cash on this check from a New York merchant who knew his connection with the insurance company and felt safe in cashing one of its checks. Calvin's picture is reproduced herewith, and we are assured that if located the New York authorities will extradite him from any part of the country. Calvin is 33 years of age, 5 feet 5 inches tall, weighing 170 pounds; stout build; has blue eyes, brown hair and a half-inch scar over his right eye. Should this operator come to your attention, he should be turned over to your local police with instructions to communicate with the New York Police Department and our agents' nearest office.

H. H. BENSON (3506), a Negro, opened an account with a bank in Waxahachie, Texas, giving as reference a colored woman depositor of the bank, to whom he claimed to be engaged. He deposited a draft for $1,200 drawn against the Lincoln State Bank of Chicago and before returns were received he presented a check to be cashed, but was told that it would be necessary to get the indorsement of a depositor. He returned shortly with the check bearing what purported to be an indorsement of the woman who had introduced him at the bank, and received the money. Subsequently, the Chicago bank returned the draft "No account," and inquiry developed that the indorsement of the woman depositor had been forged. A specimen of the operator's handwriting is reproduced.



Forges Certifications and Cashiers' Checks

A BOGUS cashiers' check operator who at times varies his methods by using checks purporting to be signed by individuals but bearing bogus certification stamps, and who has appeared in various issues of the Protective Section during the past year, is still plying his trade. On page 5 of the November, 1927, Section, as SAM GOULETTE (3000), we described his negotiation of checks purporting to be issued by the Forest Hill Cooperative Farm Company of Staples, Minn., drawn on the First National Bank of St. Cloud, Minn. On page 8 of the August, 1928, issue under the name M. C. WILKE (3335), alias J. D. Patterson, alias A. J. Plummer, one of his checks drawn on the Cordova State Bank and bearing the forged certification stamp of that bank is reproduced. Again on page 2 of the November, 1928, Section, under the name MARTIN B. WEDDINGTON (3419), alias M. G. Wilkinson, we reported the negotiation of bogus cashiers' checks purporting to be issued by the Alabama Trust and Savings Bank, drawn on the American Exchange-Irving Trust Company of New York City. Since that date another one of these bogus cashiers' checks has been called to our attention and from the indorsement on the back it appears he was successful in getting $50 from a Kansas City hotel where he registered under the name of M. F. Wilkins of Florence, Ala. The description of the operator places him anywhere between 50 and 65 years of age, but all agree that he is 6 feet tall, weighs 250 pounds, has small face, gray hair, small mustache, wears glasses and has the appearance of a prosperous business man. Member banks are requested to refer to the warnings mentioned above, and if recognized no hesitation should be felt in having Goulette held by local authorities and notifying our agents' nearest office.

B. H. HARRIS (3508), alias Samuel B. Youngline, alias Tom L. Norris, entered a branch of a Detroit bank and presented a duplicate deposit ticket on which was listed over $600 in checks, with the advice that he was a depositor in the main office of the bank. At the time the deposit was made Harris stated he wished to draw funds from his account and the teller obligingly gave him three blank checks scratching the address of the branch off, and substituting main office. He filled out the three checks for amounts totaling $410 and as the teller failed to check up, succeeded in securing the money. Harris is 35 to 40 years of age, about 5 feet 6 inches tall, weighs 150 to 155 pounds; has medium complexion, smooth shaven.

ON page 2 of the December, 1928, Protective Section under the heading "Forges Customers' Indorsements" there appeared a warning covering an operator who was negotiating forged checks purporting to be issued by Anderson & Jones of Marlow, Okla. We have since been advised that this operator is using the name H. M. HOWARD (3509), and he is 30 years of age, 5 feet 11 inches tall; slender build; has dark complexion, dark hair and dark eyes; well dressed. A specimen of the operator's handwriting is also reproduced to assist in his identification.

H M Howard.

CLARENCE HULDERMAN (3529), alias E. F. Kuntz, alias Clarence Hordeman, recently started passing bogus checks, and reports of his operations have now been received from Tulsa, Okla.; Kansas City, Mo.; South Bend, Ind.; Columbus, Ohio; Zanesville, Ohio; Charleston, W. Va.; Huntington, W. Va., and Roanoke, Va. He enters a bank and requests an officer to O. K. a check for a small amount, claiming he had previously presented a letter of introduction. Naturally the officers do not remember him or the letter, but in view of the small amount, many have taken a chance and O. K.'d his checks, with resultant losses. He also makes purchases from merchants, tendering a bogus check and referring them to the local banker he approached. Needless to say he is a clever talker, about 25 years of age, 5 feet 11 inches tall, weighing 165 pounds, of medium build; has dark complexion and black hair; well dressed.

Mining Company Checks Bogus

Fred B. Hyde

IN January, 1927, FRED B. HYDE (3206) and ERNEST ALEXANDER WALKER (3207), were arrested in Wichita, Kan., and returned to Tulsa, Okla., where they had put over a series of worthless checks. When their cases came up for trial Hyde assumed entire responsibility for the crimes committed saying imprisonment would be fatal to his buddy, Walker, who was alleged to be in poor health. His action so aroused the sympathy of the prosecuting authorities, that Walker received a six months suspended sentence and Hyde was only sentenced for a year. It was not long before Walker renewed his operations with the aid of a new partner, CHESTER A. PARVIN (3208), and no doubt this pair were joined by Hyde on his release from prison. They traveled through the western part of the United

Ernest Alexander Walker

States and in Mexico, where they posed as Mexican representatives of the Golden Eagle Mining Company or the North American Silver-Lead Corporation and cashed checks purporting to be issued by those corporations whose Mexican addresses were given as Morelia—Mich.—Mexico. We now have reports that checks purporting to be issued by The Belle H. Mining Company payable to R. D. Bailey or bearer, signed by Ernest A. Walker, are coming through from California points. The name of the Chase National Bank as the drawee has been inserted by a typewriter in the lower left corner and the body of the checks are also filled in by typewriter. Under the name of the mining company which runs across the top center of the check, is "Morelia—Mich.—Mexico" and to the right appears, "Office of Treasurer, Elmira, N. Y." The pictures of Hyde and Walker are again reproduced and their descriptions follow. Walker is 49 years old, a trifle over 6 feet tall, slender build, weighing about 142 pounds; has sallow complexion, dark brown hair and bluish gray eyes. Hyde is about 30 years old, 5 feet, 9 inches tall, slender build, weighing 140 pounds; has chestnut colored hair and blue eyes. The indorsement of R. D. Bailey is also reproduced.

R. D. Bailey

AN operator using the name M. C. JONES (3510), and carrying fake credentials identifying him as assistant to the president of the Illinois Traction System, Chicago, Ill., is victimizing hotels and railroad officials throughout the South. Jones travels in an automobile and apparently is headed for Miami, Fla. While we have no physical description of Jones, it seems he is of a very prepossessing appearance and can talk intelligently about the railroad freight business. He calls on officials of railroads apparently to solicit freight business for the Illinois Traction System, but winds up by getting his victim to indorse a small check which he cashes at a local bank.

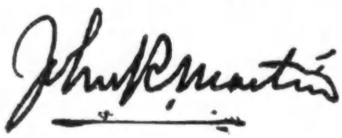
C. E. KNECHT (3357), alias G. E. White, alias W. E. Fair, alias G. E. Hauk, is continuing his successful negotiation of bogus checks purporting to be issued by the American Auditing Company, New York City, and drawn on the non-existent City National Bank of the same city. A warning regarding the activities of this operator appears on page 7 of the Protective Section for September, 1928, at which time he was reported from East Akron, Ohio. The last check called to our attention was apparently cashed in Reading, Pa.

H. W. LARSEN (3511), alias G. H. Miller, recently visited two Minneapolis banks and in each case handed the receiving teller duplicate deposit slips upon which were listed numerous checks on other banks all made payable to the name appearing on the slips. The operator requested that one of the slips be stamped and receipted, but the carefulness of the tellers in both cases prompted them to check their files to see if an account was carried in the name given. When the operator saw this being done, he immediately left the window, leaving deposit slips and checks behind him. No attempt was made in either case to secure any money from the bank, the operator's scheme probably being to get a receipted duplicate deposit slip and use this later in defrauding banks or others. The carefulness of these tellers is commendable and probably frustrated a plan to victimize their institutions. Larsen is about 40 years of age, 5 feet 9 or 10 inches tall and weighs about 145 pounds.

Bogus Cashiers' Checks

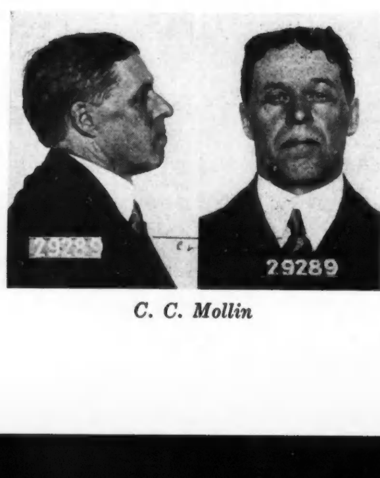
ELMER A. LOGAN (3119), reported in the March, May and October, 1928, Protective Sections recently defrauded a Philadelphia merchant whom he met through an advertisement inserted to obtain additional capital for his business. Logan did not vary his usual method, but used the names of different banks on his latest bogus checks. It appears that he agreed to invest $25,000 in the Philadelphia merchant's business and after negotiations had been completed he exhibited what purported to be a cashier's check for that amount issued by the First National Bank of Quincy, Mich., drawn on the National City Bank of New York City. It was signed C. S. Spaeth, Cashier, and made payable to Alfred L. Parker, which was the alias used by Logan in this case. He later negotiated his personal check for $2,000 and succeeded in being introduced at a Philadelphia bank. Heretofore this operator employed cashiers' checks of the Mercantile Trust and Savings Bank, Quincy, Ill., drawn on the Hanover National Bank, New York City. While generally Logan does not operate directly against banks, members receiving deposits of checks such as described above, should check the existence of the issuing bank and the names appearing thereon. As a general rule bogus cashiers' check operators even when they use the names of existing banks fail to have the correct transit numbers inserted on the check, and when using the name of a non-existent bank, a check against the transit numbers will soon disclose the fraud. Logan is 55 years of age, 5 feet 8 or 9 inches tall, weighing 175 pounds; stocky build; has sandy hair mixed with gray and florid complexion, apparently the result of overindulgence in intoxicating liquors.

JOHN R. MARTIN (3512), presenting a business card showing his connection as vice-president of Martin & Company, Inc., Investment brokers, Stock Exchange Building, Philadelphia, Pa., succeeded in getting a check for $248.50 o.k.'d by an official of a San Francisco bank. Martin claimed to be connected with the American Bankers Association and had on his person a blue ribbon badge such as was used by the delegates to the recent convention of the Association in Philadelphia. He had personal letters addressed to himself and a lodge card, also he possessed an intimate knowledge of banking and investment companies in Philadelphia and was acquainted with the names of officers of various Philadelphia financial institutions. The check called to our attention is drawn on the National City Bank of New York, 42nd Street Branch, payable to John R. Martin and purports to be signed by George E. Strauss, president of Strauss Importing Company, Inc. We are advised that he succeeded in getting another check cashed which was drawn on a Philadelphia bank. Investigation in Philadelphia discloses that there is a well known banking house in Philadelphia by the name of Martin & Company, Inc., but they are not at the address shown on the operator's card nor have they anyone connected with them by the name of John R. Martin. The operator is about 60 years of age, 6 feet 1 inch tall, weighing 200 pounds; has gray hair, closely clipped mustache, healthy complexion, well dressed and wore a Shriner pin in left lapel of coat.



M. A. McCOURT (3513) defrauded a San Diego, Cal., bank at which he opened an account with a forged check drawn on a Bellingham, Wash., bank together with another check drawn on the same bank signed with his own name. The first check was returned bearing the forged signature of a legitimate depositor and the second marked "No account." Unfortunately, the San Diego bank allowed a withdrawal $50 against the uncollected deposit. The forger is about 40 to 45 years of age, 5 feet 10 inches tall, weighing 165 pounds; smooth shaven; has light complexion, well dressed.

C. C. MOLLIN (2437), who was last heard from in the latter part of 1926, has apparently resumed his criminal operations against banks and individuals. Our criminal files contain reports on this operator from over ninety banks and show almost as many aliases. Previously Mollin posed as the advance representative of a construction or lumber company, and in 1926 used the name of the Baltimore Construction Company. The check just brought to our attention indicates that one of his old aliases, J. Johnson, is still being used. This most recent check is drawn on the Bankers Trust Company of Louisville, Ky., payable to J. Johnson or bearer and signed "Rev. A. G. Spaulding, D.D., First M. E. Church." The check bore what purported to be a certification stamp of the Bankers Trust Company. A reproduction of Mollin's picture is carried with this warning and our records indicate he is now about 52 years of age. When last arrested he was 5 feet 9 inches tall, weighing 160 pounds; medium build, had light complexion, light eyes and chestnut hair.



C. C. Mollin

ROBERT MILLER (3514), who represents himself as connected with the Moss Chevrolet Company of Grenada, Miss., is visiting Chevrolet dealers in their territory and has succeeded in getting cash on several checks, all for small amounts. He is drawing on the Grenada Trust and Banking Company, which is returning all checks marked "No account." We have no physical description of the operator, but as he apparently continues to use the one name and same story, the information contained in this warning should be sufficient.

JERRY MOORE (3515) and RAY FREISTMAN (3516) defrauded a Sonora, Texas, bank by forging the signatures of two of the bank's depositors for whom they had previously worked. They have left town traveling in a Ford Standard Coupe new model, bearing Kansas license K-307693 and as they are still in possession of some of the blank check forms of their former employers, member banks are warned to be on the lookout for them. Moore forged the name of R. C. Hills, the proprietor of a cafe in Sonora and is described as 20 years of age, 5 feet 10 inches tall, weighing 155 pounds; fair complexion, brown eyes and dark hair. Freistman, who is also 20 years of age, 5 feet 7 inches tall, with fair complexion, blue eyes and light brown hair, was employed by Mr. C. E. Stites of the Stites Motor Company and probably will impersonate him.

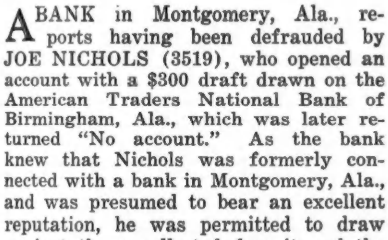
L. R. MURRAY (3517) is cashing bogus payroll checks which appear to have been issued by the Chicago-Milwaukee-St. Paul and Pacific Railroad Company, Kansas City, Mo., drawn on the Broadway Bank of Kansas City. The checks bear the name of the railway company across the top center and the drawee bank in the lower left corner. The company name also appears above the signature of H. F. Howard, Paymaster. Murray is about 45 years of age, 5 feet 6 inches tall, weighing 160 to 165 pounds; has very dark complexion, dark hair and eyes; inclined to be stout.

A. E. NICHOLS (3518) attempted to defraud a member in Utica, N. Y., by representing himself as an industrial banker and opening an account with a check for $825 drawn on an account which he claimed to have with the Colonial Trust Company of Pittsburgh. Within a few days after he opened his account the operator made several attempts to draw against the uncollected deposit, but in spite of his apparent respectability, the Utica bank stuck to the rules of sound banking practice and refused to extend him credit. The Pittsburgh bank returned the check protested "No account" so that the only loss suffered by the Utica bank was in payment of protest fees. Nichols is between 35 and 40 years of age, 6 feet tall, weighing 165 pounds; has dark complexion, small black mustache and prepossessing appearance. A check-up of the hotel at which he stayed while in Utica indicates that he was traveling with a woman companion but we have no description of her.

Cash
A E Nichols

A BANK in Montgomery, Ala., reports having been defrauded by JOE NICHOLS (3519), who opened an account with a $300 draft drawn on the American Traders National Bank of Birmingham, Ala., which was later returned "No account." As the bank knew that Nichols was formerly connected with a bank in Montgomery, Ala., and was presumed to bear an excellent reputation, he was permitted to draw against the uncollected deposit and the bank suffered a small loss. Nichols is about 5 feet 9 or 10 inches in height, weighs 145 pounds; has clear complexion, dark hair, and a very pleasing personality, neat dresser.

HENRY D. POND (3520), alias H. D. Pond, who defrauded a Malden, Mass., bank in 1925, is again reported to be operating against banks and individuals by means of bogus and forged checks. We are advised by the Connecticut State Police that they hold a warrant charging him with forgery of a note and he has operated throughout New England, also in New York state, and that he was last heard from as having defrauded a hotel in Tulsa, Okla. He is apparently bound for the Pacific coast and is traveling with a woman companion in a Reo Flying Cloud Coupe, Massachusetts license No. 590265, the license having been issued in the name of Mrs. Grace M. Scott who owns the car. We are reproducing a picture of the operator who is 46 years of age, 6 feet 4 inches tall, weighing 260 pounds; stout build; medium complexion; has dark chestnut hair and blue eyes. Finger print classification: 1/1 u/u II/II 4/5.



Henry D. Pond

H. H. RICKMAN, (3521), a colored operator, visited Bonner Springs, Kan., where he represented himself as a physician and rented an office to set himself up in practice. He made a deposit of a $1,200 draft signed by himself and drawn against an account which he claimed to have with the Farmers and Merchants Bank, Mangum, Okla., a nonexistent institution. He attempted to get a passbook and check book but the bank refused to give him these or even a receipt for his draft until it was collected. Their carefulness prevented a loss to the bank, but he succeeded in getting the colored principal of a school to indorse another draft for $65 which was subsequently returned.

"DR." HOWARD J. ROBINSON (3522), a confidence man who approaches his victims through their children, defrauded a depositor of a Crewe, Va., bank whom he met on a ferry boat. After admiring her child, he ascertained her name and address, then called on her the next day. He represented himself as a member of the medical unit of the Rockefeller Foundation doing research work in Japan and also said that he had been with the Hoover Relief Unit in Belgium. He stated that his victim's child looked so much like his own dead daughter that he wanted to do something for her. He led the subject around to money and checks and finally had his victim introduce him at a local bank, where he succeeded in getting a check drawn on the National Shawmut Bank of Boston cashed. An official of the Crewe bank was acquainted with one of the officers of the National Shawmut Bank of Boston and the operator was able to carry on an intelligent conversation regarding the Boston banker. Robinson is 50 to 55 years of age, 5 feet 6 inches tall, weighing 140 pounds; very thin; has brown eyes, gray hair partly bald, and soft white hands, his fingernails being stubs or half nails. He is continually twitching his hands apparently from nervousness. Any information regarding this operator should be communicated to our agents' nearest office.

Checks issued by W. T. SMITH (3523), signed by himself as president of the Wonder City Shoe Company, Inc., drawn on the State Planters Bank of Hopewell, Va., are being returned marked "Insufficient Funds" and have caused a loss to various New York banks, hotels and merchants. Smith's practice of distributing these checks led to his arrest on Nov. 5 in New York City, but he was released in the Magistrate's Court on Nov. 12, after making restitution to the complaining witness. When operators of this type are arrested on the complaint of one victim, they generally make every effort to repay the party prosecuting them as quickly as possible even though they have to pick a new victim to pay expenses. In this particular case, as in many others, after the release of Smith several other items turned up.

FRANK WALSH (3524) succeeded in defrauding a Stroudsburg, Pa., bank by having them cash a check purporting to be signed by E. G. Parker and drawn on another bank located in the same city. He approached the teller in the defrauded bank at a very busy hour and represented himself as being acquainted with one of the bank's depositors who lives only a few doors from the bank. The principal stock in trade of members of this profession is their prepossessing appearance and ability to sell confidence in themselves to their intended victims. This operator evidently had the necessary qualifications of his trade. He is about 28 years of age, 5 feet 11 inches tall, weighing 160 pounds; has dark hair, round smooth face and regular features.

Bogus Payroll Checks

VARIOUS payroll checks purporting to be issued by the Sinclair Refining Company, Chicago, Ill., are being circulated in Chicago and vicinity. The bogus checks are generally for small amounts and investigation discloses that generally a man and woman with a child in arms enter a store, represent themselves as Sinclair employees and after making a small purchase are successful in securing merchandise and cash in exchange for a check. While the Sinclair company has not suffered any loss, they are very anxious to cause the apprehension of the operator and will prosecute if arrested. The following bank names and transit numbers appear at the bottom of the checks to the left: Exchange State Bank of Chicago, 2-175; Illinois Merchants Trust Company, 2-306, and Guardian National Bank of Chicago, 3-461. Each of the transit numbers is incorrect.

Stolen Bonds

ON page 3 of the June, 1928, Protective Section we broadcast the loss or theft of fifty thousand dollars ($50,000) par value of Public Service (N. J.) Electric and Gas Company first and refunding mortgage gold bonds, 4½ per cent series, due 1967, numbered 1504 to 1553, inclusive. We are now advised that the coupons due in June, 1928, were torn from the bonds and returned to the rightful owners by the persons in

Offices of the William J. Burns International Detective Agency, Inc.

CALIFORNIA, LOS ANGELES—525 I. N. Van Nuys Building.

SAN FRANCISCO—1015 United Bank & Trust Co. Building.

COLORADO, DENVER—424 Cooper Building.

DISTRICT OF COLUMBIA, WASHINGTON—601 Southern Building.

FLORIDA, MIAMI—610 Exchange Building.

GEORGIA, ATLANTA—921 Healey Building.

ILLINOIS, CHICAGO—1050 Otis Building.

LOUISIANA, NEW ORLEANS—930 Hibernia Bank Building.

MARYLAND, BALTIMORE—902 Fidelity Building.

MASSACHUSETTS, BOSTON—345 New Chamber of Commerce Building.

MICHIGAN, DETROIT—436 Dime Savings Bank Building.

MINNESOTA, MINNEAPOLIS—726 McKnight Building.

MISSOURI, KANSAS CITY—403 Ridge Arcade Building.

ST. LOUIS—619 Louderman Building.

NEW YORK, BUFFALO—405 D. S. Morgan Building.

NEW YORK CITY—165 Broadway.

OHIO, CINCINNATI—316 First National Bank Building.

CLEVELAND—1105 Swetland Building.

OKLAHOMA, OKLAHOMA CITY—908 Colcord Building.

OREGON, PORTLAND—1008 Yeon Building.

PENNSYLVANIA, PHILADELPHIA—430 Widener Building.

PITTSBURGH — 1404 First National Bank Building.

TENNESSEE, MEMPHIS—414 Bank of Commerce & Trust Co. Building.

TEXAS, DALLAS—614 Kirby Building.

HOUSTON—1020 Marine Bank & Trust Co. Building.

SAN ANTONIO—606 Travis Building.

UTAH, SALT LAKE CITY—527 Continental Bank Building.

WASHINGTON, SEATTLE—1805 L. C. Smith Building.

SPOKANE—1204 Old National Bank Building.

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whose possession the bonds now are. The owners have also been advised by telephone that the bonds are being held for ransom, but as application has been made by the owner for the issuance of duplicate bonds, no loss will be suffered by him, and it is likely that the thieves will attempt to put the bonds up as collateral, possibly with some bank, in order to obtain a loan.

Arrests

Forgers

BAKER, L. E.—Dec. 7, Atlanta, Ga., City Prison.

BLACK, HENRY E.—Nov. 21, Los Angeles, Cal., City Prison.

BROWN, MRS. DICK—Nov. 21, Los Angeles, Cal., City Jail.

BRYANT, T. E.—Nov. 16, Memphis, Tenn., City Prison.

CRESS, BOB—Oct. 23. Is now serving time in Kings County Jail, Washington, on another charge.

GREENSPAWN, JACOB—Nov. 30, Chicago, Ill., City Prison.

GRIFTEN, E. L.—Nov. 26, Pittsburgh, Pa., City Prison.

HALE, EVELYN—Nov. 21, Vancouver, Wash., County Jail.

HOLT, WILLIAM—Dec. 3, Los Angeles, Cal., City Prison.

HUSSEY, THOS. P.—Nov. 20, Boston, Mass., City Prison.

LEWIS, M. E.—Dec. 14, Marysvale, Utah, County Jail.

McCANN, THOS. P.—Nov. 10, Boston, Mass., City Prison.

NEAL, JAMES—Nov. 21, Boston, Mass., City Prison.

SOLOMON, MAURICE—Nov. 17, New York, N. Y., Tombs Prison.

TAYLOR, WM. ALLEN—July 25, St. Louis, Mo., City Prison.

WILSON, FRANK E.—Nov. 19, Boston, Mass., City Prison.

Holdup Robbers

ANNIN, RAY—Nov. 6, Los Angeles, Cal., City Prison.

ELDRIDGE, JOHN—Dec. 6, Kellyville, Okla., County Jail.

FUCCI, SAM—Nov. 23, Pittsburgh, Pa., State Police Barracks, Greensburg.

HART, LESLIE C.—Nov. 6, Los Angeles, Cal., City Prison.

KEEL, COLBERT—Nov. 16, Killed by Locals, Kansas City, Mo.

LIDDELL, HAYNIE—Nov. 16, Kansas City, Mo., County Jail.

McDANIEL, HUGH, H.—Oct. 27, Silver Springs, Md., County Jail.

TRADER, PATRICK—Nov. 23, Pittsburgh, Pa., State Police Barracks, Greensburg.

WEAR, TOM—November, 1928, Havre, Mont., County Jail.

WILLIAMS, DENNIS—Dec. 6, Kellysville, Okla., County Jail.

Dispositions

Forgers

BRYANT, T. E.——29 days, Shelby County Workhouse, Memphis, Tenn.

COLLINS, E. M.—Released, insufficient evidence, New Orleans, La.

CRESS, BOB.—1 to 3 years, State Reformatory, Monroe, Wash.

DOWD, FRED J.—2 years' probation, Los Angeles, Cal.

FINNEY, ALFRED WM.—5 years' hard labor, State Penitentiary, Richmond, Va.

GRANT, ROLEN—3 months, County Jail, Philadelphia, Pa.; also fined $100.

HENNIGAN, JAMES M.—5 years, State Prison Farm, Raiford, Fla.

MARTIN, MYRON—Made ward of Juvenile Court for eight weeks, Los Angeles, Cal.

MEADE, DOROTHY—1 year, Detention Home for Minors, Florida.

REYES, JOE—5 years' probation, 6 months to be served in County Jail, Los Angeles, Cal.

SCHMIDT, I. S.—Committed suicide, St. Louis, Mo.

TRIBBLE, GEO. HERMAN—Released, made restitution, Atlanta, Ga.

Burglars

FREEMAN, MELVIN—Released, insufficient evidence, Washington, D. C.

Holdup Robbers

BARNES, TOM—35 years, U. S. Penitentiary, Atlanta, Ga.

ETZEL, HENRY—50 years, State Penitentiary, Joliet, Ill.

KELLY, FRED—Acquitted, New Orleans, La.

NORMANDIE, HAROLD — Turned over to Federal Authorities for two-year sentence, mail robbery.

McDANIEL, HUGH—15 years, State Penitentiary, Baltimore, Md.

WALKER, "WHITEY." — Escaped, June 6, 1928, Vaughn, New Mex.

WALLIS, B. W.—Released, lack of evidence, Oklahoma City, Okla.

WILLIAMS, "LITTLE DICK."—20 years, U. S. Penitentiary, Atlanta, Ga.

Statistics of the Protective Department

	Awaiting Trial, Sept. 1, 1928	Arrests			Dispositions			Total Awaiting Trial
		Reported Since Sept. 1, 1928	Reported in Dec., 1928	Total	Convicted	Discharged or Acquitted	Fugitives Escaped, Insane or Dead	
Forgers, etc....	99	51	16	67	38	14	6	108
Burglars	23	3	....	3	....	2	....	24
Holdup robbers	127	24	10	34	24	2	3	132
Total.....	249	78	26	104	62	18	9	264

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