

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JUNE 1957



**When Should
Directors
Retire?**
(page 34)

**What Happens
to College Men
in Banks?**
(page 44)

◀
A Look at the
Financial State of
the Union
(pages 3, 33, 36)
▶



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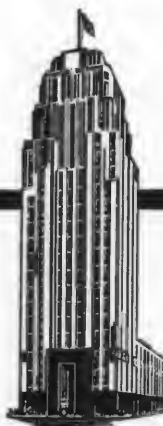
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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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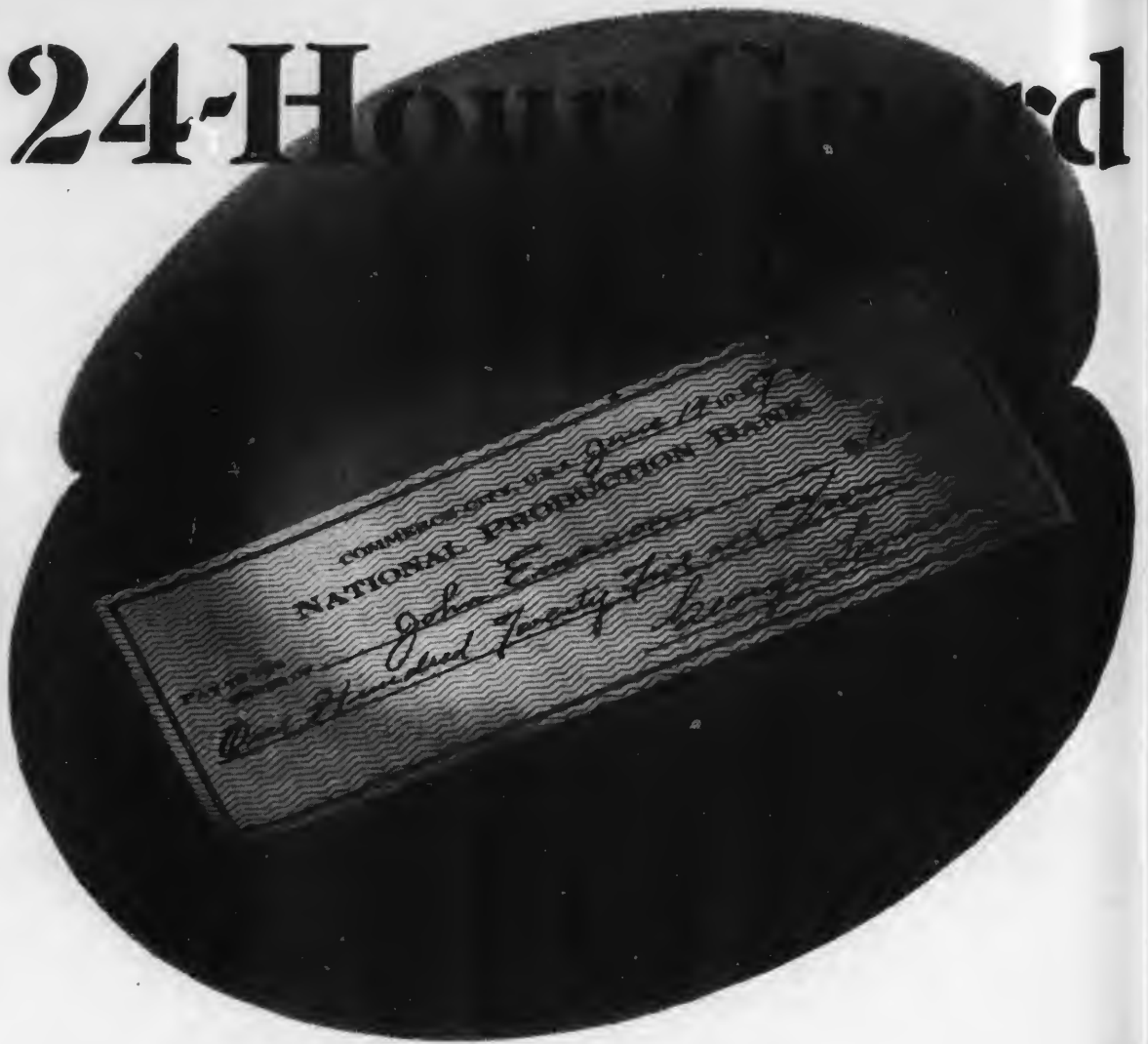
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24-Hour Guard



Checks stand a 24-hour guard on money... and today relatively few people keep tempting amounts of cash on hand. The great majority of transactions are handled by check... and checks on La Monte Safety Paper represent money in its safest, most efficient form.

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Just a Minute

June

BEFORE your June calendar gets too crowded, consider whether you wish to save room for observing:

National Dents Out of Fender Month, American Fresh Water Pearl Month, Portable Radio Month, National Ragweed Control Month.

If you prefer shorter celebrations, National Circus and National Father's Day Promotion Weeks may catch your fancy. Or Let's Play Golf Week. Or how about National Bow Tie Week?

As for Days—well, there are National Expectant Father's Day and just plain ol' Father's.

Never a dull moment!

Management Package

WE nominate June as Education Month also; it brings The Graduate School of Banking to Rutgers and innumerable Commencement Days to colleges and universities across the land.

That's one reason for including in this issue three articles on executive development, a subject that concerns most banks and many men, especially those who are getting their undergraduate degrees in 1957.

An important survey on the employment of college and university men by banks is reported in some detail by Dr. Frank S. Endicott of Northwestern University.



"She insists on backing out!"

We also publish a report on three surveys made by the A.B.A. Committee on Executive Development, revealing significant facts that will help the committee expand its program along the lines of over-all officer training procedure.

There is also a sort of do-it-yourself kit—in the form of 41 questions



THIS MONTH'S COVER

Since the early days of the New Deal, Sen. Harry Flood Byrd's name has been synonymous with Federal economy and fiscal common sense. Now the Virginia Senator, as chairman of the Senate Finance Committee, will head an inquiry into monetary policy, the scope and implications of which are discussed in this issue beginning on page 36. The Senator's views on Federal economy are briefly quoted in "Outlook and Condition of Business," page 33

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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 - sounds the hour
 - plays seasonal bell music
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For ages, the sound of bells has been the traditional voice of the community. Now a new, unique form of bell service permits you to win the approval and gratitude of your community. Schulmerich's "Weather Bell" Carillon, developed through 35 years' experience in more than 5,000 bell installations throughout the world, provides your institution with this effective means of traditional, dignified and continuous public relations.

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**SCHULMERICH
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—that enable an individual and a bank to test current development efforts.

This management package is on pages 40—48.

**Reporters Will Please
 Report at the Heliport**

VERILY, 'tis an age of wonders.

The other day BANKING was invited to help unveil the first installation of "the world's first electronic posting equipment" (six machines) at the Passaic-Clifton National Bank and Trust Company, Passaic, N. J.

We were told that the press would foregather at the New York Heliport beside the noble Hudson, and proceed via helicopter to the not-too-distant Jersey community.

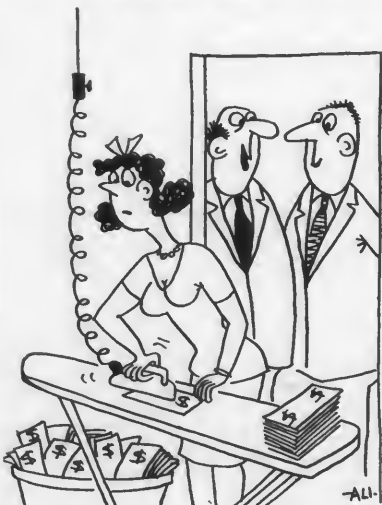
Everything moved in the modern manner. There was even an advance phone call from the vice-president-in-charge-of arrangements to inquire the weight of BANKING'S representative.

"And we want a reasonably accurate estimate," he added, with a snicker hardly reassuring to a person without helicoptic experience.

Of course it all turned out just fine. The whirlybird toted a dozen reporters to Passaic, deposited them safely at Passaic's heliport, and waited while they inspected the wondrous new equipment and listened to talks by the bank's president, John C. Barbour, and National Cash Register's boss, Stanley C. Allyn.

Then back to Manhattan journeyed the journalists. Somebody—maybe

"Our customers like it better when it's nice and neat"



"Who am I? Do I have an account here? Is it endorsed? Identification? You're not a teller, you're an asker!"

the publicity man—said it was the first time a helicopter had hauled newsmen to and from an assignment.

Anyway, it was the first time BANKING had gone to work that way.

More Theater

WE had another exposure to business showmanship only a few days later. This time it was the announcement of a new pushbutton superfile—one of those deskish affairs—and the maker, Diebold, Inc., hired a troupe of professional actors to dramatize the equipment.

Their playlet (it followed a press luncheon) demonstrated the differences between doing business in a "modern" office and in an "old-fashioned" one. The troupers impersonated two filing clerks and an executive.

He Had Time to Be Kind

A PROVIDENCE bank officer took a few minutes off to befriend a widow, and the chain reaction makes a pleasant little story.

An instalment loan customer of the Rhode Island Hospital Trust Company died suddenly, leaving a sizable unpaid balance on his home improvement loan. To allay the widow's worries, an officer called on her, offered his sympathy, and explained the bank's life insurance protection

(CONTINUED ON PAGE 11)

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B-36



B-47



B-58

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A3J



F3H

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F-103



C-123B



C-124



KC-135



P5M



P2V



P6M-2

In addition to these military aircraft, Westinghouse electrical systems are used in America's first jet airliner, the Boeing 707, the Fairchild F-27, and the RCAF Canadair CL-28.



707

Since World War II, the Westinghouse Aircraft Equipment Department has designed and built more a-c electrical systems for aircraft than any other company in the world. These electrical systems

The majority of A use generating equipment de

If you are an engineer interested in working in this field, write W. J. Young, Box 989, Aircraft Equipment Department, Lima, Ohio.



B-52



B-57



F-86



F-89

CLASSIFIED

F-105



C-119G



C-130



SM-62



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WV2



XAUM-N2



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F-27



CL-28

Power the planes from nose to tail—including motors, rudders, fuel pumps, wing flaps, landing gear, navigational instruments, radio, radar, interior and exterior lights, fans, and blowers.

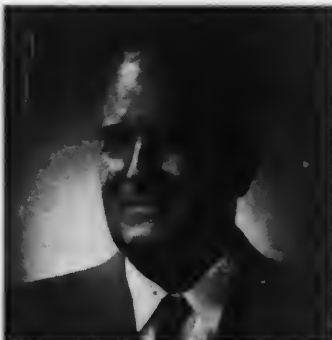
of America's aircraft nt developed by Westinghouse

Ohio. YOU CAN BE SURE... IF IT'S Westinghouse

ANNOUNCING THE CONSOLIDATION



of South Carolina's two oldest banks SOUTH CAROLINA NATIONAL and FIRST NATIONAL of GREENVILLE, S. C.



B. M. Edwards, Chairman of the Board of the consolidated SCN. Office: Columbia, South Carolina.



W. W. McEachern, New President and Chief Executive Officer of the consolidated SCN. Office: Greenville, S. C.

Now 32 bank locations in 16 cities to serve South Carolina and the rapidly growing Southeast.

Making a great and growing state greater, South Carolina will now be served by its largest bank in a consolidation that increases assets, facilities and resources to the extent that . . .

- Total resources will exceed \$225,000,000.00
- With capital funds of over \$13,000,000.00
- With 32 locations in 16 cities
- Plus the increased range of all banking services

Heading the consolidated bank will be W. W. McEachern, President and Chief Executive, the post he held at the First National. B. M. Edwards continues as Chairman of the Board of Directors of the consolidated SCN.

From border to border and the mountains to the sea, the strategically located SCN banking network offers South Carolina and the Southeast a bank of stature and scope in keep-

ing with its position in industrial and agricultural America.

The South Carolina National Bank offers the experience, facilities and resources to meet the requirements of the smallest personal account to the largest industrial enterprise.

This announcement of the consolidation also announces a new day in the financial and banking history of the State of South Carolina.



SOUTH CAROLINA NATIONAL BANK

Member Federal Deposit Insurance Corporation

SCN Offices in these communities: ANDERSON • BELTON • CHARLESTON • CHERAW • COLUMBIA • DILLON • FLORENCE • GEORGETOWN
LEESVILLE • MT. PLEASANT • NAVAL BASE • NEWBERRY • NORTH CHARLESTON • PICKENS • ST. MATTHEWS • SENECA • SUMTER

(CONTINUED FROM PAGE 6)

plan. The woman was surprised—and delighted, of course—to learn that no further payments would be required on the loan.

Visiting the RIHTC some time later to say Thank You, she mentioned an insurance problem that was bothering her. She had been advised to consult the state insurance commissioner, but didn't know where to find him or what to say. Her friend the officer furnished the information quickly.

The widow also had her husband's GI insurance check and asked the bank's help in investing part of it. She bought four \$1,000 Series F Savings Bonds, opened a \$5,000 savings account and a checking account, and rented a safe deposit box.

Banking Services for Travelers

WE learn that a new set of advertising and sales aids designed for banks interested in promoting their services to travelers has been designed by American Express Company. About 40 different items have been produced; they're available to banks on request—free.

Included are leaflets, counter cards, envelope stuffers, window displays, car cards (in two and three colors), newspaper ad mats, radio and television spots. There's also a window-lobby display kit for building tailor-made promotions.

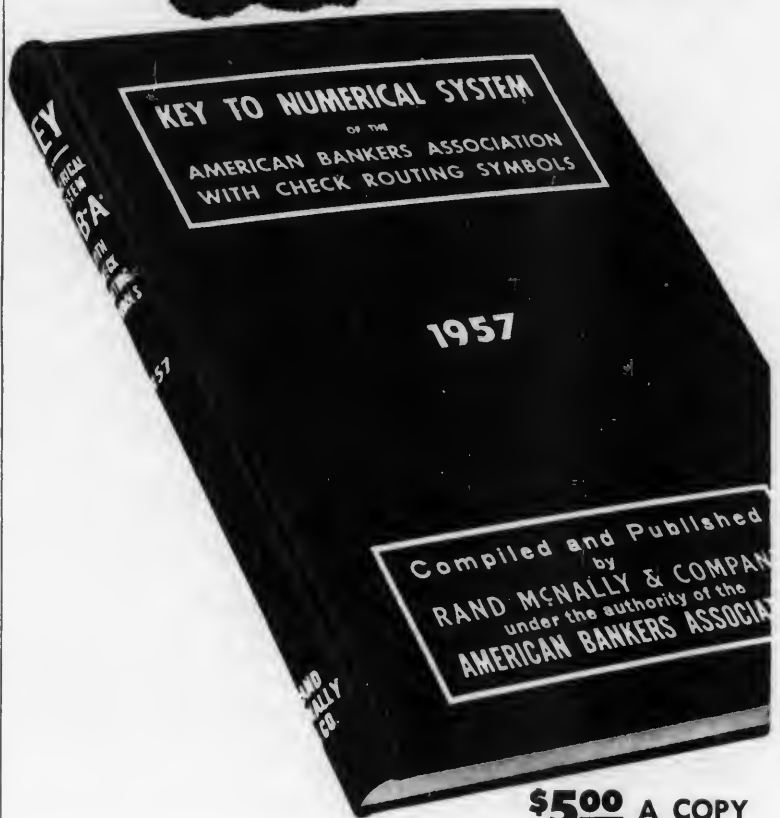
James A. Henderson, assistant vice-president of the company, said a recent independent market study indicated that 29% of the people entering a surveyed bank for travel-

"Our name is Jones, but no one has the slightest trouble keeping up with us"



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Speed up transit work. The new 1957 A. B. A. Key Book with Check Routing Symbols is now available. It contains all annual changes in transit numbers and check routing symbols. Make sure your organization has enough copies of the latest edition for completely efficient operation. Order yours today.

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HUNDREDS OF BASIC DESIGNS
IN SIZES TO MEET YOUR
REQUIREMENTS

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Cedar Rapids, Iowa
Representatives in Most Principal Cities

ers cheques were not customers of the bank.

"The fact that they came in for travelers cheques indicates," he added, "that they had travel in their plans, and a bank could pinpoint promotion for their other services, such as safe deposit boxes, vacation savings accounts, etc."

Advertising the Advertisers

THE New York Financial Advertisers, which includes bank advertising folks in the metropolitan area, wanted a symbol, so President Donald R. Hassell, assistant secretary of Hanover Bank, suggested a contest for the best design.

That sent the artists, professional and otherwise, to their drawing-boards; 45 entries resulted. Winner was Stewart Slocum of County Trust Company, White Plains, N. Y., who got \$25 and a brass cymbal, lettered to indicate his achievement. Second prize went to Edwin Bird Wilson, Inc., third to William S. Davis, Jr. of *Fortune*.

Mr. Slocum's design—a New York skyline motif—is pictured herewith. It will help the advertisers advertise themselves.

"General Banks"?

CHARLES A. EATON, JR., president of the New Jersey Bankers Association, believes the term "commercial bank" is out of date and that a change should be considered to re-



Prize-winning design

fect the change that has taken place in the banking business.

Mr. Eaton, who is vice-president of the Fidelity Union Trust Company, Newark; told the association's director-management conference:

"In view of their varied services to individuals as well as companies, it would be far better to call 'commercial' banks 'general' banks. That is what they really are today."

He cited a recent public opinion poll as evidence that "commercial" misleads many people.

See Also Page 75

THIS is a postscript to a story on page 75, in this month's Business Building Bulletin, reporting the installation by The Middletown (Conn.) Savings Bank of a new

(CONTINUED ON PAGE 16)



"C'mon everybody! It's on me! I hit the jackpot!"

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The First National Bank of Birmingham
Birmingham, Alabama

*Benefiting greatly from their large number
and various types of Brandts.*

The following is quoted from a letter received from The First National Bank of Birmingham:

"We have in our Main Office and Branches 88 Brandt Cashiers, 5 Brandt Counters and Packagers, and 2 Brandt Sorters and Counters."

"During the rapid growth our bank has had in recent years we have found this equipment to have been most valuable to us in handling the substantial increase in volume we have experienced. They have enabled us to handle our window customers much faster and have greatly speeded up the handling of our coins in our tellers' department."

Like many banks, large and small, throughout the country, The First National Bank of Birmingham is well equipped with Brandt machines of all types. The great speed and absolute accuracy of Brandts in the handling of coins benefits both banks and customers alike.



Model 250
Brandt Automatic Cashier



Model 150
Brandt Automatic Cashier



Model 5L (motor driven)
Brandt Coin Sorter and Counter



Model CHM (motor driven)
Brandt Coin Counter and Packager
(this machine can also be supplied in a hand operated model)

BRANDT AUTOMATIC CASHIER COMPANY

WATERTOWN Established 1890 WISCONSIN

CG

Burroughs ELECTRONICS
 brings you unmatched automation
 ...unmatched accuracy
 ...unmatched simplification in the



new Burroughs SENSITRONIC

bank bookkeeping machine

Take a close look at this new high-speed Burroughs Sensitronic. At its compactness and ultra-simplicity of operation.

It's engineered to give unsurpassed efficiency to your commercial bookkeeping operation—*electronically*. To get the work done faster, more accurately, automatically.

In fact, the Burroughs Sensitronic is the ONLY machine that COMPLETES the automation of bank posting!

Not only does the Sensitronic give you (1) automatic pickup and printing of old balance; (2) automatic selection of correct posting line; (3) automatic progressive check count; and (4) automatic trial balance listing and balance transfer . . . but it follows through to complete the job!

LOOK AT THESE SENSITRONIC EXCLUSIVES:

- Automatic extension of *new* balance.
- Positive, automatic proof that figures as read and printed agree exactly with figures that are electronically recorded.

This applies to *old* balance pickup, and to *new* balance storage.

■ Quick change to any verification procedure required: first item only, *or* first check and all deposits, *or* all checks and all deposits.

■ Automatic notice of stop-payments and holds . . . without loss of verification feature.

■ Printed symbol on the statement and journal for supervisory control of stop-payments and holds.

■ Individual signals alert operator to exceptions to normal accounting routines—visibly *name* each exception.

■ Automatic posting of fixed account maintenance charges.

■ Automatic accumulations of all necessary totals for account proving—old balances, checks, deposits, new balances—with zero proof of accuracy.

■ Faster form handling—rhythmic and synchronized—the result of the scientific machine design.

■ Form alignment and old balance pickup may be performed by the operator, if

necessary—identified by audit symbols printed on statement and journal. No partially filled statements or unnecessary transcript preparation.

■ *Single*, compact, short-cut keyboard assures top speed, maximum accuracy, greatest operator comfort.

■ Completely visible posting at all times—*no blind posting*.

■ No time lag in posting. Operator may immediately index first item while electronics align form, verify account selection and pick up old balance.

Truly, only *the* leader in the combined fields of electronics and automatic bank accounting could build all these into one compact, highly flexible taskmaster—the Burroughs Sensitronic. One that's years ahead of the field in both concept and function.

THE FULL STORY

For a complete fill-in on the Sensitronic's amazing capacities and benefits, call our nearby branch office today. Burroughs Corporation, Detroit 32, Michigan.

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"Burroughs" and "Sensitronic"— TM's



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* Money Engineering
... new dimensions
in service for cor-
respondent banks.

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WE HAVE NO BRANCHES • MEMBER FEDERAL DEPOSIT
INSURANCE CORPORATION AND FEDERAL RESERVE
SYSTEM • TELETYPE LA 501 • BANK WIRE SLUN

(CONTINUED FROM PAGE 12)
walk-up window service in the vesti-
bule.

When the city's postoffice learned about the recent mail-less Saturday, it asked the bank whether a window could be opened that morning to sell registered checks. The P. O. expected a last minute demand for income tax money orders, and it didn't want to disappoint the payers.

The bank agreed, naturally, and business was brisk. In fact, the postmaster stationed himself in his office and sent to the bank people who hadn't heard about the emergency service.

"Slow Down and Live"

THAT'S the slogan of a national highway safety campaign which is being conducted through Labor Day under auspices of the National Association of Safety Coordinators, a non-profit organization composed of officials primarily responsible for safety activities in their states.

The drive, we're told, is "designed to bring the full force of official activity and public support to bear against the 'hurry complex' in driving . . ." It aims at reducing the annual toll of more than 40,000 highway deaths a year.

Posters, stickers, bumper strips

**Save Your Life
...Your License**



Highway safety campaign poster

and other promotional material are available. The association's executive secretary is Paul H. Blaisdell, Room 1101, 60 John Street, New York City.
J. L. C.

FISCAL PHILOSOPHY
That I can't take it with me
I already know,
But I hope I can stretch it
Until time to go.



A station for "Operation Moonwatch"—observation of the man-made satellite that is to travel through outer space—was officially dedicated on the roof of the Valley National Bank's 12-story home in downtown Phoenix, Ariz. Equipment for the prospective amateur observers includes 12 sighting benches, 12 wide-angle telescopes, shortwave radio, tape recorder, portable microphone, and a mast. In the photo Amos Hoff, director of the station, is talking to K. M. Zenkere, fellow faculty member at Phoenix College. Seated, l. and r., Observers R. L. Gilbert and D. Campbell

CLIP THIS AD AND SHOW IT TO YOUR WIFE TONIGHT



think about it, and decide
It's time now for
the vacation you deserve

Relax in a luxurious, new apartment-hotel, offering all the privacy and comforts of home, with an abundance of recreational facilities for you and your family. In a vacationland that knows no "season,"—a complete resort city—restaurants, shops, nightclub, cocktail lounge, pool-cabana area, solaria, sun 'n sea sports. In the heart of incomparable Palm Beach. 14 golf courses nearby and the world's finest fishing. Blue-sky glamour (your wife and kids will love it). Be good to them . . . and to yourself. It's so easy at... **palm beach Towers**



100% AIR-CONDITIONED



**34 COCONUT ROW
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This department is compiled by THEODORE FISCHER of BANKING'S staff.

DAVID ROCKEFELLER, vice-chairman of the board of Chase Manhattan Bank, and JAMES S. ROCKEFELLER, president of the First National City Bank of New York, have received the Cruz de Boyaca, a high award of the government of Colombia, South America. The award is for their efforts in helping solve Colombia's commercial debt problems.

W. T. DENMAN, SR., has been elected chairman of the board of the First National Bank of McComb City, McComb, Miss., succeeding the late W. S. JOHNSON. MR. DENHAM is the only living original director and stockholder of the bank, organized in 1904. He has the rare record of having never missed a single annual stockholder meeting since the original organization meeting 52 years ago. N. B. GILLIS, SR., was elected vice-chairman.

JOSEPH CAMPBELL has sold the Nashville (Ill.) *Journal*, of which he has been editor for 24 years, and plans to spend somewhat of his time in the First National Bank of Nashville, of which he is chairman of the executive committee. He's a past president of the Illinois Press Association.

LLOYD EVJE advanced to vice-president and manager of the new Redlands office of Citizens National Trust & Savings Bank of Riverside, Calif. JAMES I. HARE, assistant vice-president, succeeds him as manager of the Colton office.

Heard Along



T. Conway Brew



Sven B. Jensen



James Delaney



Thomas Merrill

T. CONWAY BREW and SVEN B. JENSEN are now vice-presidents of The First National City Bank of New York.

Congratulations

THE State of Delaware has extended official congratulations to FARMERS BANK OF THE STATE OF DELAWARE, Dover, on the occasion of its 150th anniversary.

Senate Concurrent Resolution No. 19 reads in part: WHEREAS, as the official depository of the funds of the State of Delaware this bank has contributed substantially through the years to the growth and prosperity of the State;

NOW THEREFORE BE IT RESOLVED: That we, the members of the General Assembly, as the elected representatives of all the people of the State of Delaware, do hereby extend our hearty congratulations to the officers, directors and personnel of the Farmers Bank of the State of Delaware on its 150th Anniversary.

JAMES E. DELANEY has been named a Bank of America representative to banks and corporations in New York City, upper New York State, and sections of New England and New Jersey. THOMAS S. MERRILL will succeed him as a representative in the Midwest.

More than 20,000 visitors attended the opening on May 1 of the new office of PEOPLES TRUST COMPANY OF BERGEN COUNTY in the Garden State Plaza Shopping Center in Paramus, N. J.

To Washington

GAYLORD A. FREEMAN, JR., vice-president of The First National Bank of Chicago, has agreed to serve for six months as a consultant to the Secretary of the Treasury. He'll work in close association with Fred Scribner, Assistant Secretary of the Treasury, and W. Randolph Burgess, Undersecretary.

MR. FREEMAN will concern himself with a wide range of Congressional matters, one being to work on a presentation of the Administration case before the so-called "money probe" to be conducted by the Senate Finance Committee headed by Senator Harry F. Byrd (D-Va.).

Group I, Pennsylvania Bankers Association, has elected: *Chairman*, WILLIAM L. DAY, board chairman, The First Pennsylvania Bank and Trust Co.; *vice-chairman*, R. STEWART RAUCH, JR., president, The Philadelphia Saving Fund Society; *secretary-treasurer*, J. PETER WILLIAMS, vice-president, The Western Savings Fund Society.



Erle Cocks, left, president, A.B.A., in WOR interview by John Wingate on May 10. He declared that bankers are eager to "meet, talk to and work with the man in the street, and the small as well as big businessman"

Main Street



A. S. Carruthers



H. A. Shircliffe

ARTHUR S. CARRUTHERS and HAROLD A. SHIRCLIFFE have been elected vice-presidents in the trust department of California Bank, Los Angeles.

STANLEY M. JONES was named manager of the new Homedale office of The Idaho First National Bank. FRANK M. IRETON was named manager of the bank's new Marsing office.

DANIEL T. ROWE, president of the Kings Highway Savings Bank of Brooklyn, was elected president of the Savings Banks Association of New York. He succeeds CLARENCE G. MICHALIS, chairman of the Seamen's Bank for Savings in New York City. KILGORE MACFARLANE, JR., president of the Schenectady Savings Banks, was elected vice-president.

110th Birthday

MARSHALL AND ILSLEY BANK, Milwaukee, has observed its 110th anniversary. The bank's 40-year club presented a bouquet of 110 roses to C. F. ILSLEY, chairman, and A. S. PUELICHER, president.

On April 21, 1847, Samuel Marshall set up business as a banker in half of a cobbler's shop in a space 6 feet wide and 20 feet long. Newspapers of that day carried this advertisement:

"Samuel Marshall and Co. Exchange Brokers, Milwaukee, Wis. Land Office Money, Uncurrent Bank Notes, and Certificates of Deposit, bought and sold on liberal terms. Sight Exchange on New York for sale in sums to suit purchasers. Col-

lection on New York, Buffalo, Cleveland and Detroit, made on favorable terms. Deposit accounts kept. Office 196 E. Water St."

Milwaukee, as a city, was just one year old and had a population of less than 10,000. Charles F. Ilsley, still in his teens, came to Milwaukee from Eastport, Maine, and in 2½ years had joined the bank as a partner. The partnership continued until 1888 when the partners incorporated their business under the Wisconsin State Banking Law. The bank today, without benefit of mergers or consolidations, boasts deposits in excess of \$200,000,000.

John H. Puelicher, who became president of the bank in 1920, was president of the American Bankers Association in 1922.

Bank Holiday

THE entire personnel of FARMERS NATIONAL BANK & TRUST COMPANY, New Holland, Pa., took advantage of a holiday to visit Wall Street—via chartered bus. On the trip were all officers and all employees with their wives, and five of the seven directors. The bank's president, A.B.C. GROFF and the entire party, numbering 30, were welcomed to the financial district by ISAAC B. GRAINGER, president of



A.B.C. Groff, left, president, Farmers National Bank, New Holland, Pa., gets welcome from Isaac B. Grainger, president of Chemical Corn Exchange Bank, as entire Farmers National staff and wives visit New York

Chemical Corn Exchange Bank, Farmers National's New York correspondent. The trip included luncheon at United Nations and a sight-seeing trip around the city. The trip was held on Good Friday, a bank holiday in Pennsylvania but not in New York.

ARTHUR J. MORRIS, chairman of the board of the Industrial Bank of Commerce, is a member of the corporations committee of the 1957 campaign of The Greater New York Fund.

CHARLES J. WEST, vice-president, has completed 50 years with the First National Bank of Seaford, Del. The local paper, *The Leader*, ran

Lobby of First Westchester National Bank, New Rochelle, N. Y., at recent finance forum on Outlook for Business and Investments



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Industrial Finance

EST. 1907

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quite a feature on MR. WEST, saying he numbers his friends in the thousands.

CHEMICAL CORN EXCHANGE BANK, which was sponsor of the first Junior Achievement bank in New York in 1950, has received a plaque from JA. CHEMICAL has sponsored a JA bank continuously for seven years.

ERIC J. PULTON, assistant superintendent of the Bank of Montreal's foreign department, has been appointed European representative of the bank with headquarters in Paris. DONALD R. MCCALLUM succeeds him at the head office.

At the invitation of *The Christian Science Monitor*, H. FREDERICK HAGEMANN, JR., president of the Rockland-Atlas National Bank of Boston, has written a series of four articles describing the various functions of a bank, its role in the community, and the way in which his bank has operated to fulfill these functions. The articles were published May 7-10.

MERCANTILE TRUST COMPANY of St. Louis entertained nearly 300 bankers from the Midwest, South, and Southwest at the St. Louis Cardinals' opening home game. A cocktail party and buffet dinner in the new Khorrasan Room of the Chase Hotel preceded the game, and a fleet of chartered buses took the visitors to Busch Stadium.



Aaron D. Felsing, new president of The American Safe Deposit Association

ASDA Elects

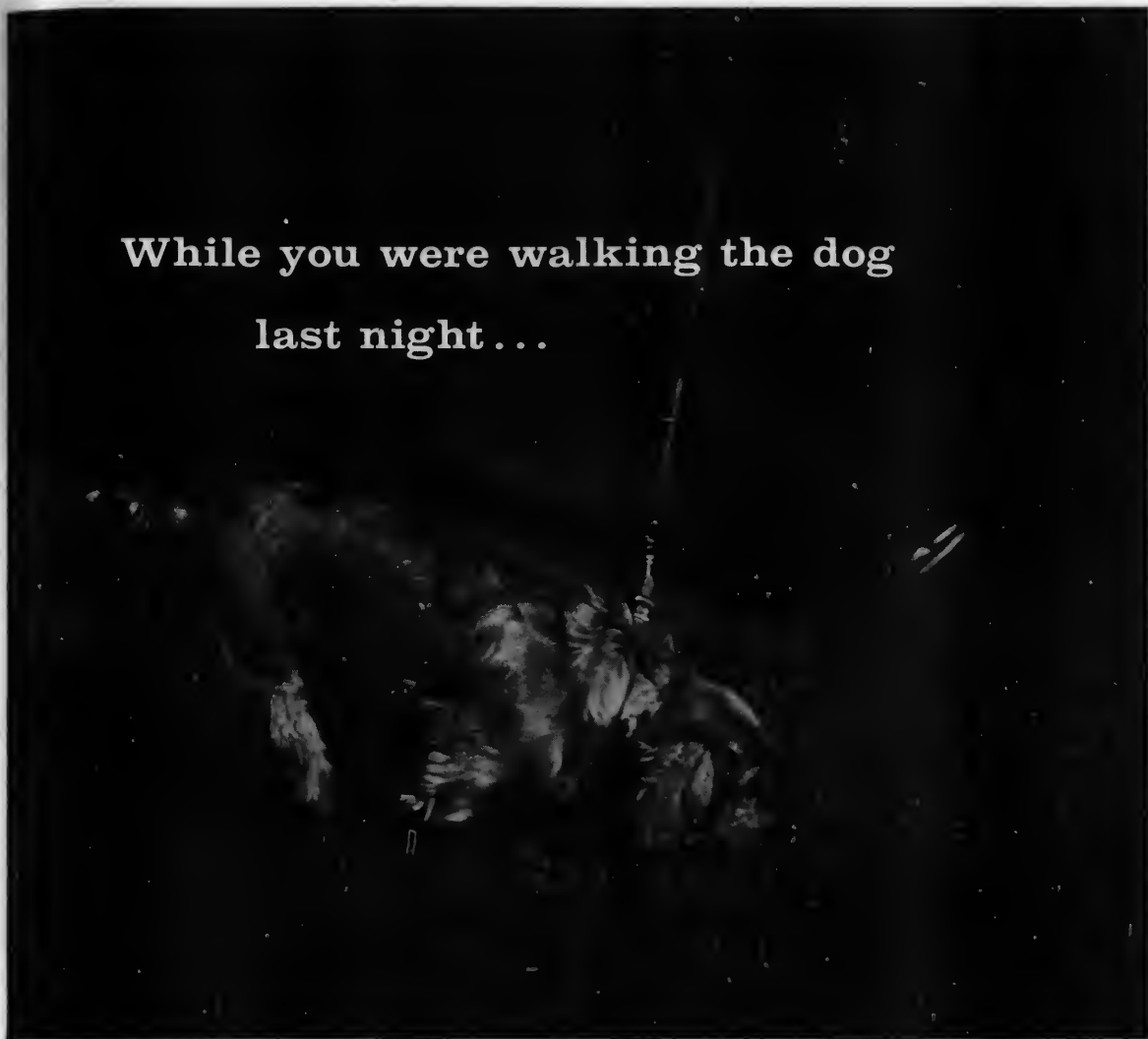
AARON D. FELSING, manager, secretary, and treasurer of The Northern Trust Safe Deposit Company, Chicago, was elected president of The American Safe Deposit Association. Other officers elected at the association's annual meeting in Milwaukee on May 16 are: First vice-president, MARTIN H. COLE, of Mellon National Bank and Trust Company, Pittsburgh; second vice-president, WALTER L. KALTWASSER, of Mercantile-Commerce National Bank in St. Louis. PAUL P. PRICE, assistant secretary and assistant treasurer of Mercantile Safe Deposit & Trust Company, Baltimore, was reelected secretary-treasurer.

(CONTINUED ON PAGE 22)

Twelve panels of pictures depicting the flight of Hungarian freedom fighters were featured in this lobby display at the McKeesport, Pa., headquarters of Western Pennsylvania National Bank



While you were walking the dog
last night...



... Continental Illinois' night staff processed
15,000 cash items

Some nights a man is specially happy to have a dog. Let's say last night was such a night—soft, still, fresh with new summer. You went out at 10 o'clock, and walked longer than usual. Say, a half hour.

In those thirty minutes, the night staff at the Continental processed a total of 15,000 cash items—about 500 per minute!

'Round-the-clock service with speed like this explains why many a check mailed to the Continental in the afternoon by banks from coast to coast becomes available funds the *following morning*.

Wouldn't such service be helpful to your bank and your customers? Why don't you take advantage of it?

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and Trust Company of Chicago

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a Service
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BRINGS IN
Business



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For appearance sake, too, Stanley Magic Door® Controls deserve your consideration. Stanley Magic Carpets, now available in a range of attractive, weather-fast colors, will enhance the exterior design—and interior decor—of your building.

Write for our folder, "The Friendliest Doors in the World," to Magic Door Sales, Stanley Hardware, Division of The Stanley Works, Dept. F, 1015 Lake Street, New Britain, Conn.

Sales and service representatives in principal cities in the United States and Canada.

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This famous trademark distinguishes over 20,000 quality products of The Stanley Works—hand and electric tools • drapery, industrial and builders hardware • door controls • aluminum windows • metal parts • coatings • steel and steel strapping—made in 24 Stanley plants in the United States, Canada, England and Germany



Marian Haefeli



Herbert Decker

MAIN STREET (Continued)

MARIAN G. HAEFELI has been named director of public relations at the Prudential Savings Bank of Brooklyn, N. Y. MRS. HAEFELI had been executive secretary to the president.

HERBERT DECKER has been elected a vice-president of the Passaic-Clifton National Bank and Trust Company, Passaic, N. J.

EDWARD F. MCDUGAL, formerly assistant vice-president in charge of advertising and publicity at Bankers Trust Company, New York, has resigned to join Tunis-McDougal Corporation, which operates a chain of automobile and truck agencies on Long Island. He will direct advertising and sales promotion. MR. MCDUGAL is former president of the New York Financial Advertisers Association, member of the Financial Public Relations Association, and is a member of the Advertising Club of New York.

(CONTINUED ON PAGE 26)

Albert W. Harris, 89, first office boy of Harris Trust and Savings Bank, Chicago, and retired chairman of the board, as he shared reminiscences with 2,000 members of his "family" at bank's 75th anniversary celebration

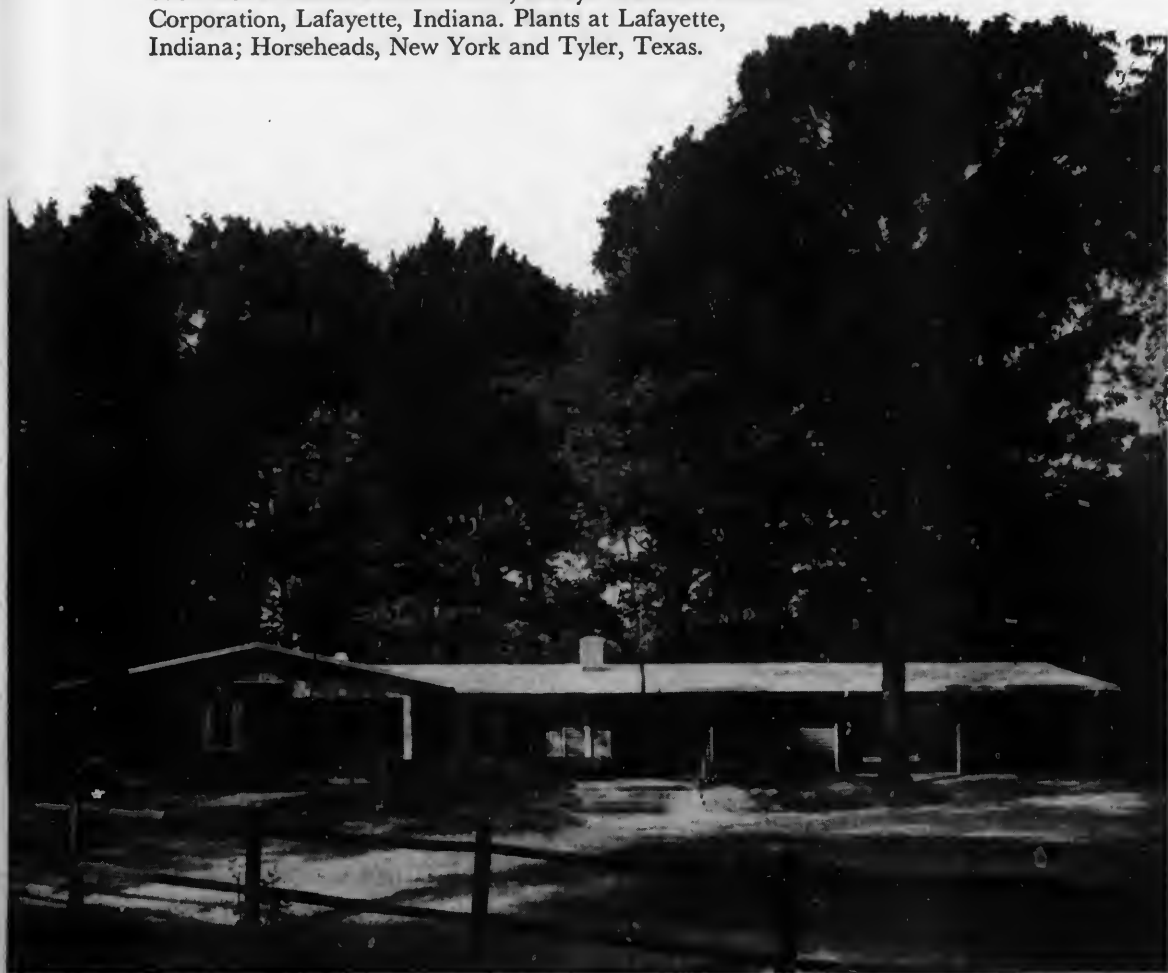


BANKING

National homes mortgages are sound long-term investments

Designed and built for lasting beauty and service, National homes retain their salability through the years. With dozens of floor plans and hundreds of variations created by Charles M. Goodman, AIA, the nation's foremost residential architect, National Homes builder-dealers can offer homes that fit the families' needs and protect property values.

Combined with quality construction throughout, this variety of design is an additional reason why more than 600 banks, insurance companies, building and loan associations and other lending institutions—including the largest in the nation—invest in National home mortgages. Such factors assure sound returns, always. National Homes Corporation, Lafayette, Indiana. Plants at Lafayette, Indiana; Horseheads, New York and Tyler, Texas.



ONE OUT OF EVERY 48 HOMES BEING BUILT
IN AMERICA TODAY IS PRODUCED BY...



Lockheed Management answers your questions about:

Lockheed's Missile Business

1. How much missile business is Lockheed doing?

Lockheed's Missile Systems Division, which began functioning as a separate division in late 1953, has multiplied its sales seven times in the past two years. Sales in 1956 were \$53 million; current backlog is in excess of \$36 million; and another \$50 million is in final negotiation. Sales forecast for 1957: \$75 million.

2. What is Lockheed investing in new missile facilities?

During 1955-56 Lockheed's Missile Systems Division quadrupled its work force to 5,000, and more than doubled the space occupied by its laboratories, test equipment, shops and offices. By the end of 1957 this division will be operating \$30 million worth of facilities and equipment at its three present locations—Palo Alto, Sunnyvale, and Van Nuys, California. More than a third of its 905,000 square feet of space now in use or under construction is for manufacturing, ideally suited to large volume missile production.

3. What contracts does Lockheed presently have in the missiles field?

Lockheed Missile Systems Division scientists and engineers are engaged in 15 separate missile projects—involving research and development in 40 areas of advanced missile technology, including: nuclear physics, high-

altitude research, ultrasonic aerodynamics, heat problems, new and rare materials, rocketry, electronics, human capacities, high-speed automatic data reduction, and outer space theory and its applications.

For security reasons, only 3 of the Division's 15 contracts can be disclosed: One is the Polaris, the U.S. Navy's intermediate-range Fleet Ballistic Missile—which can be launched from submarines. Second are the X-7 supersonic ramjet test missiles which can be recovered by parachute after each flight, unlike most missiles, and re-used—thus saving the Air Force \$350,000 on every flight. Third are the X-17 three-stage rockets, which weigh six tons and are as tall as a four-story building. The X-17's mission: to obtain important data about the re-entry of long-range ballistic missiles into the earth's atmosphere from outer space. It is a key link in our nation's ballistic missiles program (which includes the Atlas, Titan, Thor and Lockheed's own Polaris).

4. How does Lockheed's position in the missiles field compare with other airframe manufacturers?

In 1956, after only 3 years as a separate division, Lockheed Missile Division sales exceeded the Department of Defense's entire expenditures for missiles just six years ago.

Further, the Missile Division has become a major contractor on one of the nation's 4 significant long-range missiles of the future.

Lockheed's work, which at first concentrated on study programs in varied fields, now is shifting to work on very advanced articles with large volume production prospects. Long after many of the subsonic, short-range, and limited-use missiles of today are obsolete and out of production, Lockheed's new missiles will be in production.

5. How will the growing emphasis on missiles-for-defense affect Lockheed's sales and production of aircraft?

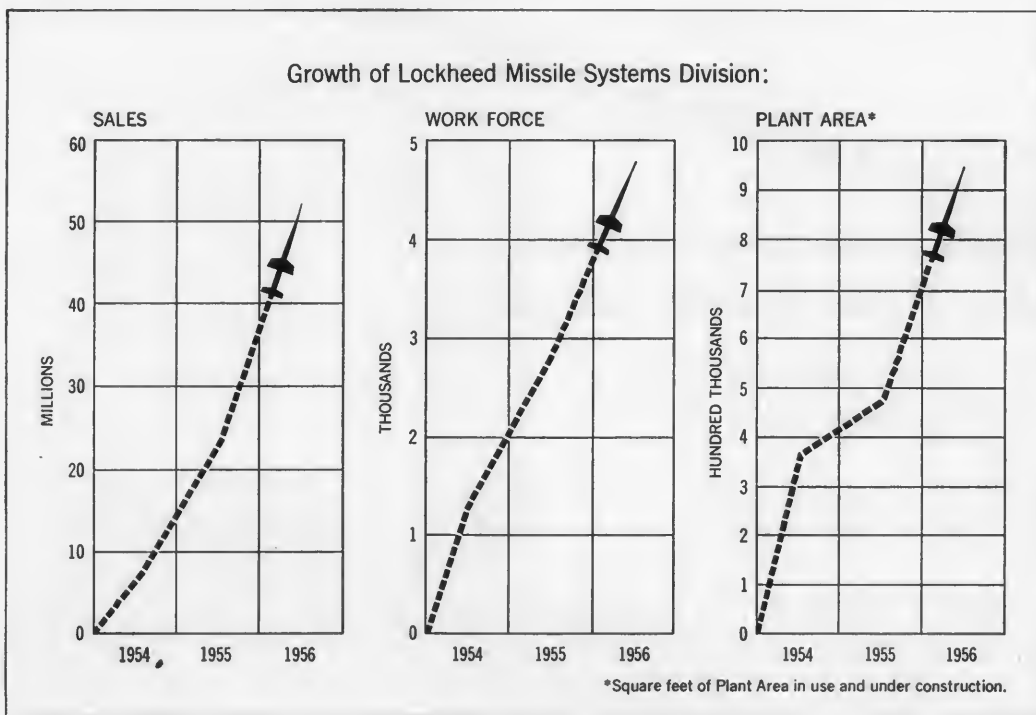
Far from reducing Lockheed's rising volume of business, this new emphasis will add to it.

At the end of 1956, Lockheed's backlog for all divisions was \$1,597,523,000—up 31% from the year before and the largest since mid-1953. Of this backlog, 52% was Air Force orders, 20% Navy, 28% commercial.

Because this diversification, among the widest in the industry, includes several types most needed by the Armed Forces in the years ahead, military aircraft production will remain high at Lockheed.

Commercial business is expanding, too. At the year-end, Lockheed's commercial backlog was \$444,871,000, the largest in the company's history. Both cargo and passenger transports are in production. Newest of these: the STARLINER, world's longest-range luxury liner, currently in delivery; the prop-jet ELECTRA, starting in production and designed to fill profitably the needs of short-to-medium range schedules in the coming decade of commercial jet flight.

These orders are evidence of the wide opportunities for continuing production of military manned aircraft as well as for planes that will deliver the people and goods of the world in the ever-expanding air age.



LOCKHEED means leadership

One of a series of messages addressed to the financial community of America

Bill:
 A representative of St. Louis Terminal
 Field Warehouse called today, and
 reminded me that they've got a
 valuable service to offer.

*Looks like this could be the way
 to increase our loan volume safely.
 It's a good way to get some of our
 unsecured loans on a better basis.
 I will give you the whole story
 at the committee meeting tomorrow.*

John

Have you investigated this time-proven service?

- you can increase loan limits safely
- you can convert open line credit to a secured basis.

Call our office nearest you. Get full
 information on this field warehouse service.



ST. LOUIS TERMINAL FIELD WAREHOUSE CO.

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CLEVELAND, OHIO
 6688 Pearl Road,

DALLAS, TEXAS
 5526 Dyer Street

HOUSTON, TEXAS
 1213 Capital Avenue

JACKSON, MISS.
 414 South State Street

KANSAS CITY 11, MO.
 4550 Main Street

LITTLE ROCK, ARK.
 802 Rector Bldg.

LUBBOCK, TEXAS
 822 Lubbock Nat'l Bank Bldg.

WICHITA, KANSAS, 723 South Broadway

MEMPHIS 4, TENNESSEE
 2065 Union Avenue

NEW YORK 4, N. Y.
 Room 818, 11 Broadway

ST. LOUIS, MO.
 926 Spruce Street

SAN FRANCISCO, CALIF.
 1515 Sloat Blvd.

TAMPA, FLORIDA
 32-A Western Union Bldg.



Jewel Breland



Don Silverthorne

MAIN STREET (Continued)

JEWEL S. BRELAND of the Citizens & Southern National Bank of South Carolina, has been chosen to direct the activities of women's organizations in South Carolina for the promotion of U. S. Savings Bond sales. MRS. BRELAND, first woman officer of C&S of South Carolina, is director of public relations and assistant cashier at the Columbia office.

DON C. SILVERTHORNE has been named vice-president of Transamerica Corporation, San Francisco. He had been executive vice-president and senior loan officer of First Western Bank and Trust Company, San Francisco.

Robert E. Lee Hill

ROBERT E. LEE HILL, executive manager of the Missouri Bankers Association, died in Columbia on April 24 following a long illness.

MR. HILL was president of the State Association Section of the American Bankers Association during 1954-55 and at the time of his death was a member of the A.B.A. Public Relations Council and active in the Savings and Mortgage Division. (CONTINUED ON PAGE 29)

Robert E. Lee Hill





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Canada's countless rivers, falls and rapids are located from coast to coast, except in parts of the Prairie Provinces, where other sources of power are ample. They provide one of our country's major natural resources. They assure a dependable supply of low-cost electric energy for our rapidly expanding industrial economy.

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MAIN STREET (Continued)

sion of the A.B.A. He had been executive manager of the Missouri Bankers Association since 1944 and had served as president of Rotary International in 1934-35.

MR. HILL received B.S. and M.S. degrees in agriculture at the University of Missouri and later a B.S. in journalism from the same institution. He was for years active in alumni activities. He had been active in promotion of U. S. Savings Bonds and was a worker for the American Cancer Society and many other worthy causes.



Frank P. Powers



Daniel W. Vooy

served the A.B.A. in many capacities. He has been a member of the Organization Committee; the Executive Council; has been president of the State Bank Division; member of various committees; and was A.B.A. treasurer for two years, 1947 and 1948.

DANIEL W. VOOYS has been elected vice-president and cashier of the First National Bank, Jamestown, N. Y. He was formerly vice-president and trust officer of the Central National Bank, Canajoharie, N. Y.

JOHN HENRY PLATT, senior vice-president and director of the Kraft Foods Company, has been elected to the board of directors of the National Boulevard Bank of Chicago. Among many other activities, Mr. PLATT has been an active member of the Audit Bureau of Circulations for more than 20 years, having served as director, secretary, vice-chairman and chairman of the board.

RALPH R. KNAPP, vice-president of the Washington Mutual Savings Bank, Seattle, has retired. His career in banking was combined with almost as long a period of public service. He was elected seven times to the Washington State legislature, was Speaker of the House of Representatives in that state in 1927, and

Kanabec Hits 40

KANABEC STATE BANK, Mora, Minn., observed its 40th anniversary on May 1. That was the date of its incorporation; it opened for business on May 11, 1917. And on May 10, the bank held open house with refreshments, souvenirs, and cash door prizes.

It was incorporated as the Quamba State Bank at Quamba, Minn., and moved to Mora several years later. FRANK P. POWERS, president, joined the bank in February 1919 as cashier, managing officer, and member of the board. Deposits were then \$13,000. They now exceed \$5,200,000. Always progressive, the bank has been active in the instalment loan field since 1925.

The bank enjoys a wide reputation through the farflung activities of PRESIDENT POWERS in A.B.A., FPRA, the Minnesota Bankers Association, and others. He's a member of the 1947 graduating class of The Graduate School of Banking and has



These photos of "Cars of the Roaring '20s" shown in San Francisco's DeYoung Memorial Museum were on loan from Crocker - Anglo National Bank, first bank in the U.S. to establish a special department for financing cars. Shown are such then-popular makes as Hpmobile, Cleveland, Haynes, Stutz, Cunningham, Chandler



**SELL
FIRST
NATIONAL
CITY BANK
TRAVELERS
CHECKS ... safe
spendable anywhere!**

- In handy denominations: \$10, \$20, \$50 and \$100.
- Prompt refund if lost or stolen.
- Cost only \$1 per \$100; good until used.
- You keep 90% of the selling commission—and remit 10% to us!

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Neutracer: the newest reason why Hammermill Bond prints better, types better, looks better



Why is Hammermill Bond now better than ever? The answer's in this picture: hardwood's finer fibers!

AN OFFICE right out in the woods? It's just to dramatize the reason why your business letterheads will make a better impression on better than ever Hammermill Bond. That reason is Neutracer® pulp—made by Hammermill's exclusive process which, for the first time, unlocks the secrets of hardwoods for use in fine papers. It's Neutracer . . . blended with other quality pulps . . . that gives today's Hammermill Bond a smoother, more velvety surface for more distinctive letterheads, for more readable printing, typing, writing and carbon copies.

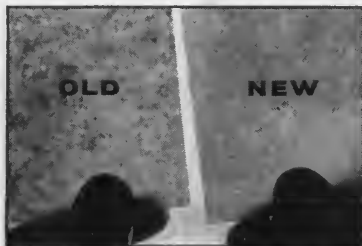
You can see the difference that hardwood's finer fibers make. Hold a sheet of new Hammermill Bond up to the light. Or look at the photos at right. See how the fibers are more evenly distributed. That's finer formation, a key quality in fine paper.

And Neutracer's special properties add bulk and opacity, give the new Hammermill Bond a better appearance, a heavier feel that says "quality."

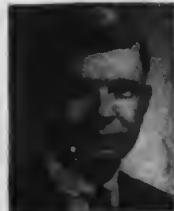
Hammermill spent \$6,000,000 to develop Neutracer pulp. It's another Hammermill first. The newest reason

why today's Hammermill papers 1) print better—ask your printer; 2) type better—ask your secretary; 3) look better—see for yourself! Ask your printer to show you samples of the new Hammermill Bond. Hammermill Paper Company, Erie, Pennsylvania.

Printers everywhere use Hammermill papers. Many display this shield.



...yet
HAMMERMILL BOND
with Neutracer's finer fibers, costs no more!



Wm. T. Eddins



Michael Franco

MAIN STREET (Continued)

for several terms was chairman of the House Banking Committee.

WILLIAM T. EDDINS has been named a vice-president of the First National Bank & Trust Co., Scranton, Pa., where he is to head the department handling public relations, new business development, and advertising. He was formerly assistant vice-president of the Hibernia National Bank in New Orleans.

MICHAEL J. FRANCO was elevated to the presidency of Industrial National Bank of Miami. LEONARD L. ABESS, who has been president and chairman, will continue in the latter office.

The SCHOOL OF BANKING OF THE SOUTH, at Louisiana State University, Baton Rouge, has an enrollment of 366 for this year's session June 2-15. The freshman class has a record 152 bankers, 111 are returning for their second year, and there are 103 in the graduating class.

(CONTINUED ON PAGE 138)

NORTH CAROLINA

C. Lacy Tate, president, Waccamaw Bank & Trust Company, Whiteville, is 1957-58 president, North Carolina Bankers Association



85%

of the dollar
volume we
send to our
Michigan
correspondents
is sent

direct

And, over 65% of all Michigan banks are correspondents of ours. That's a lot of direct sending—a lot of float reduced, and a lot faster final determination. And it's a good reason to consider a banking relationship with us.

More friends because we help more people
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Your direct wire to the Bond Market



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Manufacturers Trust deals in these securities at *net* prices. We also are members of the selling group for Government Agency bonds whenever new issues are offered.

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Head Office: 55 Broad Street, New York 15, N. Y.

Member Federal Deposit Insurance Corporation

The OUTLOOK and CONDITION OF BUSINESS

BUSINESS observers generally and most Government officials profess to be satisfied that commerce and industry will continue active the rest of this year in spite of a lag in home building, automobiles, and steel.

One thing missing is a trend of some kind. No matter how good the condition of business may be, the condition of a business observer, without a trend, is confused.

The monetary authorities watch business and business watches the monetary authorities. Don't just stand there, do something! Passive is the adjective currently favored to describe monetary policy, meaning there is not likely to be any move to ease or tighten credit until business shows a definite trend up or down.

Expansionary forces are still dominant here and abroad, although individual opinions vary, as usual, depending on the point of view and the definitions of "expansionary."

The word is useful, under the circumstances, because it doesn't mean anything in particular. To some it means inflation and to others, healthy growth. Some feel that big Government spending is a basis for optimism, but to an increasing number it is the way to disaster. One thing certain is that confusion on this question is at an all-time high and rising.

Solvency and Freedom

Senator Byrd of Virginia, leader in the fight for economy in Government, thinks like this:

"Our free-enterprise system is the greatest deterrent in the world today to Russian aggression. This system can only exist under solvent government. While we may regard ourselves as the most powerful force in the world, it should be remembered that other nations also have been powerful and dominated much of the world in their day. But history records that many of these nations destroyed their position by assuming burdens beyond their capacity. . . .

"The direct Federal debt is equivalent to the full assessed value of all the land, all the buildings, ma-

chinery, livestock, and everything of tangible value in the United States. This does not include state and local public debt, which totals \$50-billion. Individuals and corporations owe \$466-billion more, making a grand total of indebtedness of approximately \$800-billion. This is an increase of one-third in four years.

"We are mortgaged to the hilt, and it is not a pretty picture. It makes one wonder to what extent present so-called prosperity is based on new debt which must be paid or refinanced at increasing interest costs. . . .

"The great portion of [the proposed budgetary increases] has been in strictly domestic-civilian programs, projects, and activities—exclusive of all national security and foreign-aid expenditures. The domestic-civilian expenditures reached a low point in the postwar era in 1954, when they totaled \$19.1-billion. Compared with the estimate of \$28.9-billion for the coming year, there is an increase of \$9.8-billion, or 51% in four years. . . ."

The uphill struggle faced by those who would reduce Federal spending is evident in even a casual examination of the list of beneficiaries.

With practically every segment of private business affected by public spending, it is evident why the pressure for economy in general tends to weaken when it comes to particular parts of the budget touching individual pocketbook nerves. With a third of the national income going for taxes, it is already hard to find the line where free enterprise ends and socialism begins.

Not All Bright

Automobiles and housing are still slow, along with building material and household goods. There is doubtless a large potential demand for more and better housing and for what goes in the houses. The recent tendency of mortgage money to become more available may bring a rise in home construction. There is a tendency in the industry to think the worst is over, but this has not yet shown up in the figures on housing starts.

(CONTINUED ON PAGE 176)

When Should Directors Retire?

It Is Important for Each Bank To Set Up Standards to Govern Its Policy

HERBERT BRATTER, writing from Washington, recently completed a series of 13 articles for BANKING on the duties and responsibilities of bank directors. This month MR. BRATTER covers one more phase of the director-bank relationship.

It is contemplated that all 14 articles will shortly be available in reprint form.

MANY banks across the country encounter the problem of what to do about the superannuated director who cannot pull his weight in the work of the board. The efficiency of board meetings may be impeded and development of the bank retarded by a too-aged board of directors. In actual practice, for a variety of reasons, it is not always a simple matter bluntly to tell an aging director who has been a good friend of the bank for many years and who still may influence business for the bank, including the business of his former enterprises and his own estate, that it is now time for him to retire and make way for some one younger. Quite apart from reasons associated with the bank's interests, personal considerations as well intervene in such cases. Indeed, the directorship may be his main interest and to deprive him of it under circumstances which would seem to point to his age could be injurious to his health.

Meet the Problem

Yet, despite the difficulties, some banks have been grappling with the problem and have taken measures to meet it. Many other banks are studying the matter. Whatever formula or program a bank adopts for the purpose of limiting the tenure of members of the board must, of course, meet with the approval of the directors who are on the board

at the time the policy is adopted. Since directors usually do not volunteer to withdraw, in effect thus putting their own personal interests ahead of the bank's, progress in some institutions is retarded.

When is a director too old? To this question there is no simple answer. Chronological age is one thing. Physiological age is another. Mental age is still another. It would not be practicable to require directors to take an annual medical or intelligence test. Besides, many useful directors might not pass such tests. Some persons at 65 are older by any practical criterion than others are at 75. If a bank's directors are to be retired when they become superannuated, some arbitrary standard of superannuation must be adopted. Business, including banking, recognizes this fact with regard to officers and employees, subject sometimes to exceptions. Adoption of a normal retirement age makes possible graceful separation from power and responsibility in the case of officers and employees. The same principle has applicability to bank directors and is being so applied.

Time a Good Basis

The chronological standard of retirement may not be the perfect solution, but it is at least impartial. Being compulsory, it avoids any suspicion of discrimination. It is impersonal and objective, preserving the individual's dignity without personal implication.

Banks which have sought to meet this problem by a chronological standard do not agree exactly as to the precise retirement age for directors. Practice also varies as to the status accorded the director who is retired from the board. In some cases he has no further official connection with the bank. In other cases

he becomes a director emeritus, with honorary or advisory status. Last year the Connecticut Bankers Association had a special committee conduct a study of the boards of directors of Connecticut banks. Retirement of directors was one of the matters inquired into.

The committee reported:

The question of age limit for board membership involves a situation that is often difficult to approach, since the board, itself, must first recognize the issue and then be willing to study a plan to accomplish the desired result. Only four commercial banks in Connecticut report establishing an age limit for director membership on their boards. However, 11 banks are contemplating some plan and this is encouraging, since action in such a delicate situation generally follows the leadership of a few who experimented and found the way for others.

Useful Examples

Of the four Connecticut banks reporting director retirement plans, two use age 70 and two, 72-75. In one case the retired directors receive honorary or advisory status; in another, not; while the two remaining banks replied "no and yes" on such status. For example, the Bristol Bank and Trust Company, through an amendment to its by-laws, provided that, after reaching his 70th birthday, a director no longer is eligible for re-election to the board at the next annual meeting, but automatically becomes a member of the advisory council. The council is invited to attend all meetings of the board of directors and take full part in the proceedings, but without the power to vote. Each member of the council attending a meeting is paid the same fee as the members of the board receive.

A similar plan was adopted in 1946 by the board of the Wachovia

Bank and Trust Company, Winston-Salem, N. C. Under that plan any director upon reaching the age of 70, may thereafter be elected annually a director emeritus. As such he may attend board meetings without the right to vote and without being charged with the responsibilities or subject to the liabilities of directors.

The Holyoke Savings Bank, Holyoke, Mass., in 1949 published the results of a survey made by a personnel committee, the bank having by resolution in 1948 limited the age of active trustees to 65. Retired trustees automatically become members of an advisory board.

Transition Solution

How the transition problem may be handled is indicated by the plan announced in 1953 by the Binghamton Savings Bank, Binghamton, N. Y.: "All present trustees 60 years of age or less and all trustees hereafter elected shall be retired on the first day of the month following their 70th birthday. This makes the mandatory retirement age for trustees conform with the maximum limit permitted for active employees. During the transition period necessary to make the plan fully operative, all present trustees 61 years of age and over shall be retired in accordance with a predetermined schedule. When trustees are retired from active participation in the affairs of the bank, they will continue their affiliation as trustees emeritus."

The Lincoln Rochester Trust Company, Rochester, N. Y., in preparing the way for its director retirement plan, gently broached the matter to its directors over 70 years old by a letter from the president. The letter developed in some detail the reasonableness of applying the same retirement principles to employees, officers, and directors. "The age of 70," wrote the president, "is not significant in itself and does not in any degree whatsoever indicate to my mind that a man is old, elderly, or decrepit at that age." The plan was accepted unanimously by the board.

In Chicago the Harris Trust and Savings Bank has a formalized policy on this subject. Its board first considered the matter in 1948. Although there was no current problem and the board was well diversified as to age, it authorized the president

to appoint a committee of outside members of the board to consider the desirability of formulating a policy on director retirement. The committee met at intervals over most of one year. Its policy statement was formally adopted by the board in 1949, to become effective in January 1952. The policy statement reads as follows:

(1) It would be desirable to adopt and state a policy with respect to tenure of directors rather than continue with no policy as at present.

(2) The effective date of the policy recommended for adoption should be January 1952.

(3) Continued membership on the board presupposes reasonable participation in the meetings and affairs of the bank.

(4) "Outside" directors will not stand for reelection on the date of the annual meeting of stockholders in January of the year in which they reach the age of 70, or two years after the date of retirement from their major or primary business relationship, whichever comes first.

(5) "Inside" directors will not stand for reelection at the annual meeting of stockholders in January the second year following the year in which they retire from the bank (i.e., one year).

(6) The committee wishes to state that nothing in the foregoing statement of policy shall be considered as restricting to any degree the voting of stock by a stockholder. A stockholder shall have complete freedom to vote stock which stands in his name (either as an individual or as a fiduciary) in favor of himself as a director or for whomsoever he pleases.

It will be noted that the foregoing statement assumes that a retired businessman by virtue of that retirement does not long remain qualified to carry out the duties and responsibilities of a bank director. While many bankers may regard this as an arguable proposition, the fact remains that the only way to set up a standard is to set up a standard. A bank may select whatever standard it wishes, as to age of directors or years since retirement from business. The important thing would seem to be that some standard be adopted. Existence of a standard obviates the necessity of delegating one or more board members to the unpleasant duty of informing a fellow director that, to

make a place for a more vigorous, new director, his retirement from the board would be appreciated.

It sometimes becomes necessary for bank directors to resign for reasons, other than age or personal unsuitability. In Washington a few years ago such a situation developed when the Riggs National Bank absorbed the Washington Loan & Trust Company. Some of the latter's directors lost their posts. A few found places on the Riggs board of directors. Others were appointed by the board of directors to be honorary directors. Still others were appointed to membership in Riggs' Advisory Board for All Branches. A similar procedure occurred in 1954 when the National Bank of Washington merged with the Hamilton National Bank. An advisory board was created.

Honorary or advisory status for a retired director has an incidental advantage for the bank: it eliminates any possibility that the former director might become associated with a competing bank.

Banking law, of course, makes no specific provision for honorary directors, directors emeritus, or advisory board members. No member of any of these groups may be charged with the responsibilities or subjected to the liabilities of directors.

Not Examiner Responsibility

An officer in one bank suffering from an overabundance of older directors but feeling helpless to do anything about the situation, when interviewed by the writer, stated that he would be happy if the examiners would point out to the board the weakness in such a situation. Bank supervisory authorities generally will do this, however, only if the directors are clearly not directing the bank properly and, as a result, mistakes are being made. For example, the Comptroller of the Currency has no regulations governing honorary directors and the like. His office has taken no position beyond ruling that when a bank publishes or advertises its directors list it must designate which are honorary. If, due to inhibitive policies of an over-age board, a bank is losing its competitive position in its locality, the Comptroller's office does not see in this any reason for "bureaucratic intervention." It is up to the

(CONTINUED ON PAGE 162)



A recent portrait of the President and his Cabinet*

UNITED PRESS

Prospects for the Byrd Monetary Inquiry and for Financial Legislation

LAWRENCE STAFFORD

AN inquiry by the Senate Finance Committee into monetary policy moved into the void occasioned by the fact that most banking legislation, for the time being, is stalled in committee.

It is possible that the so-called "monetary inquiry" may get con-

**Clockwise around the table: Wilton Persons, Deputy Assistant to the President; Henry Cabot Lodge, Ambassador to the U.N.; Fred Seaton, Secretary of Interior; George Humphrey, Secretary of Treasury; Vice-President Richard M. Nixon; Attorney General Herbert Brownell; Sinclair Weeks, Secretary of Commerce; Marion Folsom, Secretary of Health, Education and Welfare; Val Peterson, Civil Defense Administrator; Budget Director Percival Brundage; Defense Mobilizer Gordon Gray; James P. Mitchell, Secretary of Labor; Postmaster General Arthur Summerfield; John Foster Dulles, Secretary of State; President Eisenhower; C. E. Wilson, Secretary of Defense; Ezra Taft Benson, Secretary of Agriculture; Maxwell W. Rabb, Secretary of the Cabinet; and Sherman Adams, Presidential Assistant.*

siderable public attention. It is an accepted prediction in this city, however, that these hearings of themselves are most unlikely to have the consequence of bringing about any significant change in current monetary policy.

So far as the Federal Reserve Board is concerned, it is unlikely to be cajoled into easing money simply because a number of "liberal" Senators on the Finance Committee are critical of "tight money and high interest rates." It is the Reserve System which takes the leadership in forming monetary policy.

Inquiry's Origin

When the proposed House Banking Subcommittee's full-dress monetary inquiry was defeated (see pages 39 and 40 of the May issue of *BANKING*) this left the Congressional Democratic leadership disappointed. The leadership of that party in both the Senate and House felt that it would be to the advantage of their

party to have a public show of criticizing current monetary policy. It is one of the few possible issues which some Democrats feel distinguishes them from the present Administration.

Tagged Finance Committee

So the Finance Committee was tagged to do the job. This committee was selected primarily because several of its members appeared to be enthusiastic about the idea of having a go at this project.

It is noted, however, that the Finance Committee has no jurisdiction to sponsor legislation dealing with general monetary policy. That subject is the exclusive initial jurisdiction of the Banking committees. The proposed House Banking subcommittee inquiry which was killed, on the other hand, could have resulted, if the members wanted it, in the recommendation of specific legislation to alter monetary policy.

Therefore, no matter how much

noise is made in the Finance Committee inquiry into monetary policy, it can lead only to legislation if any ideas the Finance Committee might come up with are taken up affirmatively by the Banking Committee. As a rule it is rare for one committee of Congress to take up a project within its exclusive jurisdiction, proposed by another committee.

Finance Committee Jurisdiction

On the other hand, the Finance Committee does, in fact, have jurisdiction over fiscal policy, particularly Federal debt management, the Federal debt limit, and taxes.

From the point of view of substantive fact, the Senate Finance Committee inquiry will be pitched more closely to the problems of the public debt and Federal spending, than it will be at monetary issues.

Again from the point of view of substantive fact, the monetary phase of the committee's inquiry, even though it may rate headlines, is in the nature of a sideshow.

In fact the Finance Committee becomes, by this inquiry, what is now called a "watch-dog" committee to intervene constantly and continuously into the fiscal picture. It is this project which will probably be the major job of the inquiry, whether or not it cops the headlines. It is also a job which suits the temperament of the able and unrelenting foe of Federal extravagance, Chairman Harry Byrd (D., Va.).

In essence, therefore, the Democratic leadership appears to have said that it must put on a show against "tight money and high interest rates" but is putting it under a tent where there are the least possible chances that any material harm could result.

Kill Eisenhower's Plan

On the other hand, it appears that the consequence of the decision to put on this show on current monetary policy, will be to kill off the President's proposed monetary commission.

This plan, as last modified, would call for a mixed commission composed equally of outside experts and members of Congress. It would make an extensive study of the nation's financial mechanisms. It would inquire into the relationships of one class of financial institutions with another, the relationship of Gov-

ernment lending and insuring to private financial institutions, and the adequacy of financial institutions to serve an expanding economy.

While nothing in the way of a legislative prospect is ever a certainty, the word was passed by the Senate Democratic leadership that they would not take up the Capehart-Talle bill to create this commission.

"Dead Horses"

As a matter of political fact, a public hearing show loses a lot of its appeal when the officials to be pilloried are on their way out of office. Although they were expected to be on hand at least for the opening phases of the monetary inquiry, Secretary George Humphrey and Under Secretary W. Randolph Burgess are expected to resign their posts soon.

This will leave the Federal Reserve officials remaining in office. As an agency independent of the Federal Administration, the Reserve Board is not the most profitable subject to be a target for public criticism on a more or less strictly party issue. With Messrs. Humphrey

and Burgess known to be on the way out, the whole monetary phase of the inquiry could lose a lot of its lustre.

Study Robertson Bill

Chairman Brent Spence (D., Ky.) of the House Banking Committee has been earnestly studying the Robertson bill or proposed Financial Institutions Act of 1957 that passed the Senate.

Mr. Spence has personally studied the bill carefully, section by section. Under the House rules, when any piece of legislation is reported favorably to the floor by a committee, there must be a detailed analysis showing precisely how the proposed bill would change existing law. Mr. Spence had directed Capital lawyers to make that comparative analysis, which is now completed.

On the other hand, it was doubted that this bill would be reported out this year by the House Banking Committee. The maximum prospects for this bill this year are that it may be given public hearings.

Meanwhile, virtually all banking or bank-related legislation is stalled

HAVE YOU SEEN

(1) A detailed, section-by-section analysis of the Senate-passed Robertson or Financial Institutions Act of 1957 bill. Obtainable from the House Banking and Currency Committee, Washington, D. C.

* * *

(2) A report detailing the Federal National Mortgage Association's purchases during the first quarter of 1957, its peak volume. Write to the Housing and Home Finance Agency, Washington 25, D. C., for FNMA's first quarter 1957 report.

* * *

(3) A comprehensive table showing the relative growth rate, for a period back to a generation, of various manufactured products constituting about 60% of the production index of the Federal Reserve Board. See "A New Look at Production Growths" in the April 1957 issue of the Survey of Current Business. Obtainable for 30 cents from the Superintendent of Documents, Government Printing Office, Washington 25, D. C.

* * *

(4) A pamphlet describing how a city, town, state, or other non-Federal governmental agency can get an interest free loan for a local public project, not repayable until construction of the work starts. Write to the Superintendent of Documents, Government Printing Office, Washington, 25, D. C., enclosing 5 cents, and ask for A Program of Public Works Planning.

* * *

(5) A complete state-by-state break-down of what field and seed crops were grown in 1955-56, what was done with the crops, and what cash they brought to farmers. See Field and Seed Crops, Farm Production, Farm Disposition, Value, by States, 1955-56, obtainable from the Agricultural Marketing Service, U. S. Department of Agriculture, Washington 25, D. C.

in committee. The Senate Banking Committee, for instance, is not inclined to take up the House-passed bill to provide for the regulation of bank holding companies in the savings and loan field, or any other "pieces of banking legislation," since the Robertson bill incorporated virtually all pending legislative changes favored by the Senate Committee.

Seek SBA Extension

The House committee took up a bill to continue beyond July 31, when by present law it expires, the life of the Small Business Administration.

Supporters of this agency aim to make SBA permanent. In this project they are backed by the Eisenhower Administration. Supporters sought to kill the Loan Policy Board of SBA, consisting of the Secretaries of the Treasury and Commerce and the Administrator of SBA. They also sought to broaden the lending powers of the agency.

SBA's statute will be taken up in the Senate Banking Committee after it disposes of its version of housing legislation.

Meanwhile, Congress provided SBA with \$45,000,000 of additional funds. The agency had been unable,

because of a lack of money, to disburse loans after February 1. From September 1953 through April 22, 1957, SBA had approved 5,896 loans for \$278,534,000.

FDIC Insurance Cut Avoided

There is now very little chance that Congress will take any action this year to curtail even modestly the FDIC deposit insurance liability.

When hearings were held before the Senate Banking Committee on the Robertson bill, the banking world suggested the need for reducing bank deposit insurance lia-

A Hard Look at Mr. Dulles' Proposed Soft Loans

DESPITE the public clamor for budget economy and dissatisfaction with annual foreign aid appropriations, as we write the Administration is readying a bill to dress up foreign aid in a new guise, or, as some might say, disguise. Powerful forces led by the State Department are at work on public opinion to assure the program's enactment. This is the program which would put into our own defense budget as a "self-interest" expenditure all foreign aid classifiable as "defense" or "defense support." Technical aid, launched as President Truman's Point IV, will go on as before. Most other economic aid will be channeled through a new development fund. As originally proposed by the State Department, the fund will be run by the International Cooperation Administration and will make soft loans as well as grants. It will be a revolving fund, and thus its administrators will be able to

plan on long range without coming back to the Congress annually to the degree now necessary. The size, control, and operations of the proposed fund are likely to be changed in the Congress before legislative approval is given.

Secretary of State Dulles outlined this program as one the people can understand and sponsor with conviction. He referred to our "sense of mission"; to the "life-giving qualities . . . reflected in the developmental aspects of our program." He asked "more emphasis on long-term development assistance." Because "development is a continuing process" we should break away from annual appropriations; should achieve "greater efficiency" through an economic development fund making loans, not grants, of \$750,000,000 or more annually. The fund should be enabled to borrow from the Treasury. Mr. Dulles explained:

"The fund could usefully join with such institutions as the World Bank or the Export-Import Bank in financing particular projects. Its aid might thus enable those banks to expand their operations by assisting projects which could not qualify in their entirety for loans which these institutions are authorized to make. In order not to displace other sources of credit, loans from the development fund should be repayable on a basis subordinate to the claims of the World Bank, the Export-Import Bank, and private lending agencies."

THE aid-loans, Mr. Dulles conceded, would be "soft" loans, not only because they would be subordinate to other loans, which are repayable to us in dollars, but also because although made in dollars they would be repayable in soft currencies. Uncle Sam would lend dollars to be repaid on easy terms over a long period in foreign currencies which could be used only abroad and only with the agreement of the countries concerned. That such agreement might not be readily forthcoming we know from experience with past rupee balances in India and from the difficulties experienced by the World Bank in getting the use of capital subscribed by its soft-currency members.

Although Senator Russell of Georgia remained unconvinced by the Secretary's testimony, Senators Fulbright, Mansfield, and Capehart commended the new approach to this program. Later, World Bank Presi-

Senate Committee Reports on Aid

AS we go to press the latest development on foreign aid is the report released on May 13 by the Senate's special committee, composed of representatives of Foreign Relations, Appropriations, and Armed Services. Approving continuance of foreign aid, the report endorses formation of an economic development revolving fund, but with the proviso that it be supervised by representatives of the State and Commerce Departments, the Export-Import Bank plus the U. S. executive director on the World Bank. The Senators recommend that, apart from Eximbank loans, all development aid be on a loan basis and be extended by the new fund. Under the Senators' plan the fund would be built up over a period of years. It should, inter alia, help finance national and regional development banks. Government officials regard the proposed supervisory board as a great improvement over the revolving fund as first unveiled by Secretary Dulles.

bilities. The committee neither incorporated such a proposal in the Robertson bill nor recommended that the subject be studied.

In the course of the hearing, FDIC offered a tentative scheme to simplify the deposit insurance base. Subsequently, it became known, FDIC firmed on this proposal that, in place of the present authorized deductions from the deposit insurance base, there be substituted a standard 1% deduction of time and savings deposits, and 15% of demand deposits.

However, the proposal was not firmly offered in sufficient time to be

incorporated in the Robertson bill and hence to be passed by the Senate. It is understood, furthermore, that the FDIC will not request the House Banking Committee to consider a bill to legalize this proposed simplified deposit insurance base. Even if the FDIC did ask for enactment of this limited relief, however, circumstances would not be propitious for its enactment this year.

Celler Bill

Chairman Emanuel Celler (D., N.Y.) of the House Judiciary Committee planned to seek again com-

mittee approval of his bill passed by the House last year, to subject bank mergers to the veto of the Department of Justice if the latter determines that the mergers tend substantially to lessen competition in any locality or tend toward a monopoly.

The Senate, however, as part of the Robertson bill, re-enacted the 1956 Fulbright bill this year. This bill authorizes the Federal bank supervisory agencies to determine whether any proposed merger tends "unduly" (rather than "substantially," as in the Clayton act) to less-

(CONTINUED ON PAGE 128)

dent Eugene Black added his approval, so long as the new aid-loans do not constitute a claim on scarce foreign exchange needed to service existing international loans and investments. Eximbank President Samuel C. Waugh understandably, as a member of the Administration, also endorsed the Dulles plan but added that "soft loan programs raise a number of difficult questions," which he proceeded to list. Obviously the Eximbank has serious reservations to the projected soft-loan program.

AMONG Eximbank's reservations are these:

"Excessive lending on soft terms may make the recipient an unsuitable subject for hard loans. The question still remains of how to avoid such overfinancing so long as banking criteria, by definition, cannot be applied to soft loans.

"How to avoid giving offense to the country concerned when deciding whether to make a hard or a soft loan to it. This difficulty surely would be no easier to meet than would be that of whether to make a loan or a grant.

"More important, however, is a problem overlooked so far in the consideration of soft loans versus grants. This is the probable attitude of any borrower who is in default. A defaulting debtor can hardly be expected to entertain friendly feelings for his creditor.

"Finally, there is the vexing problem in a soft loan program of maintaining the soundness of hard loans. Gresham's well known principle that bad money drives good money out of circulation is equally applicable to credit."

Converting the ICA into a strange, new international development bank will add a new chapter to the history of international finance. Its loans will be made in dollars but their "repayment" will never come home. Fleets of ships will carry away, over the years, the goods for which the dollar proceeds of the new loans are spent; but the ships will return empty. This raises the question of whether we are not just fooling ourselves to call the contemplated transactions "loans." A loan, the dictionary says, is permission to use. Return is implicit. If the loan is serviced in inconvertible currencies and can never be brought home, it is not really a loan. In personal relations a "loan" is often a convenient euphemism for a handout which neither the giver nor receiver expects will be repaid. It saves face. But in individual relationships such a "loan" is rarely given where *bona fide* business loans are also outstanding.

YET here it is proposed that Uncle Sam, who through the Eximbank and indirectly through the World Bank, makes "only loans which offer reasonable assurance of repayments," should, through another window, the new ICA development fund, make, to many of the same borrowers, a new kind of "soft" loan to be serviced on easy terms in inconvertible currencies with the additional understanding at the outset that such service payments if any will be relented to the debtor again, and probably again and again.

No wonder that the Eximbank is worried about the effect this will have on the more than \$4-billion of

Eximbank loans and authorizations now outstanding.

Plausible to the uninformed voter who is tired of foreign handouts, and to his representative in the Congress, the Administration's new scheme for carrying on an activity deemed by the President essential "to keep the United States secure and strong" seems attractive. Important Republicans and Democrats in both houses of the Congress have voiced prompt approval. Whereas grants are money we kiss goodbye, through easy loans we may at least get something back sometime, they hopefully say. If we make aid-loans repayable in dollars that cannot be repaid, we shall only be duplicating the experience with the war debts of World War I and the ill feeling they engendered. Those debts are still on the books and are still growing as interest accumulates. Rather, the scheme's supporters reason, let us make loans repayable in local currencies which the borrowers can always print, if necessary. Such loans, devoted to sound projects, will serve a noble purpose, and the loan service will be good discipline for the borrowing nations. Thus reason the advocates.

The arguments all have a ring of rationalization of a course already desired. Any international loan involves more or less risk; but where nonrepayment in the currency lent is written into the indenture, there is involved not only deception of the public but also possibly costly effects on other international loans, international resentments, charges of our interference in the internal affairs of the borrowing countries, and other disadvantages in years to come.

HERBERT BRATTER

Executive Development

ON pages 40 to 48 **BANKING** offers a special report on what one unit of the American Bankers Association is doing to help banks meet today's big problem: the training of tomorrow's managers, especially the college men.

The report covers three projects of the Committee on Executive Development. They deal with bank salaries, campus recruitment, personnel training, the experience of college graduates in banking.

The work of this Committee is part of the productive educational program offered by the A.B.A. through its own Graduate School of Banking and American In-

stitute of Banking, and by other banking organizations through their four-score schools and educational courses. These many programs make their own valuable contributions to management training.

Three articles constitute this report: (1) a resume of the data gathered by the Committee in its surveys; (2) a detailed report and commentary on one of them—employment of college men—by the expert who made the study, Dr. Frank S. Endicott of Northwestern University; and (3) a "do-it-yourself" method of letting a banker and bank test his own and its own current development efforts.

A Stockpile of Development Tools

THE A.B.A. Committee on Executive Development is stockpiling information yielded by three studies that were designed to make the Association's executive development program an "all-officer training procedure rather than just a top-level development plan," as Chairman Edwin P. Neilan puts it.

These studies, which will be supplemented by others, are producing basic raw material on banks' management training procedures and college campus recruitment activities; bank salaries; the progress made in banking (professionally as well as financially) by college graduates as compared with their advancement in other businesses; and, in general, the pattern of the capable young graduate's career in banking.

Among other things, the projects completed thus far reveal:

SALARIES. The largest banks' starting salaries measure up well with those offered by industry. On the other hand, most banks are small and their beginners' salaries, like those of smaller companies, are below the top scale.

PROSPECTS. College men in

banks, over the long run, have an excellent earnings outlook.

DEMAND. There is an increasing demand by banks for college men, and an effort is being made to keep them once they're hired.

TRAINING. Planned development of men with executive potential, at whatever level, is increasing. Training programs, methods of performance appraisal, checkups on accomplishment are part of the routine in many banks today.

SALES JOB. Banks can do more to tell college men about the real opportunities and advantages of a banking career.

THREE POINTS. Salary, promotion, and training are the major points that interest the college graduate who's a potential candidate for a bank job.

Training Programs, Campus Recruitment

The Committee's survey of management training procedures and recruiting at the colleges and universities brought information from 200 bank presidents. Obviously, as the Committee points out, this is a

limited number, but when you consider that the 200 employ approximately 200,000 of the country's 585,000 bank people, you agree that it's more than an ordinary sampling. Here are some general conclusions and statistics:

180 of the banks have training plans.

180 also periodically appraise the performance and potential of senior clerical job holders.

164 follow the appraisals with constructive consultation.

151 arrange for special job experience and academic aids (such as on-the-job training and A.I.B. courses) for men lacking certain qualifications.

135 follow with an accomplishment checkup.

It is interesting to note that the 200 reporting banks have approximately 20,000 officers, about 7,500 of whom have had the benefit of training programs in the last five years.

This survey also revealed some significant facts about banks' effort to attract college seniors. Here are the highlights of the campus recruitment data:

Only 85 of the 200 banks now send representatives to the campuses.

t in Banks

Only 45 of the 85 representatives follow a set pattern in student interviews. 75 of them furnish the students with printed information about opportunities in banking.

Only 49 of the reporting banks authorize their representatives to close a deal on the campus.

However, 75 banks let their men invite students to visit the banks at the latter's expense.

79 banks have hired approximately 3,500 graduates through campus recruitment since 1950.

The median monthly starting salary paid by these banks to graduates of the 1957 class will be \$350. The range is from \$225 to \$400.

College Men

In another survey the Committee had the cooperation of Dr. Frank S. Endicott, director of placement, Northwestern University, Evanston, Ill. His preliminary report on the

replies from 196 banks commences on page 44; it can be said here, that his conclusions are far from unfavorable to banking and banks' competitive position with industry as regards salaries.

The Endicott report, the Committee feels, merits careful study. It explores some new territory and is, you may be sure, authoritative, for the compiler is a national authority.

"Recruiting on the Campus"

The third survey, conducted by the Committee among 425 college counselors and placement directors, was partially reported ("Recruiting on the Campus") in the April issue of *BANKING*. One of the purposes was to test the validity of a rather generally held belief that guidance people in the college and universities don't look with particular favor on

the career possibilities of banking.

But the survey indicated quite the opposite. Of the 240 respondents, a large majority were favorable to banking and urgently asked more facts about the business for presentation to students who show an interest.

Autumn Clinics

The information furnished by the three surveys is being carefully studied by the Committee and by A.B.A. staff members with a view to clarifying and perhaps formalizing the direction of the long-term executive development program.

The facts obtained from these and possibly other projects now being formulated will be taken to the banks in a series of clinics which the Association's own experts plan to conduct in several cities across the country next autumn.

How To Rate Yourself and Your Bank

A Simple Form for Measuring Executive Development Effort

SELF-ANALYSIS

HERE are 15 questions to assist you in analyzing your current self-development efforts. An honest evaluation of your answers may open the door to future opportunities.

The "test yourself" material was prepared by the A.B.A. Department of Bank Personnel Administration.

1. Have you a clear picture of your organizational relationships with others in the bank?
2. Have you clarified, in writing, the principal duties and responsibilities of your position?
3. Have you determined the minimum qualifications you should have to fulfill adequately your duties and responsibilities?
4. Have you identified yourself with the aims and goals of your organization?
5. Have you tried objectively to determine how adequately you are fulfilling each requirement of your position?
6. Have you appraised yourself on each of the 6 factors that determine job performance with particular attention to your personal characteristics?
7. Have you determined your strengths and weaknesses so you can plan intelligently your self-development program?
8. Have you discussed your self-appraisal and self-development program with your immediate superior?
9. Have you indicated a willingness to accept coaching and guidance by senior officers in regard to your personal development?
10. Have you devoted a sufficient part of your "leisure" time to your program of self-development?
11. Have you received from your family wholehearted approval and support of your efforts along these lines?
12. Have you kept abreast of current developments in banking and related fields by reading daily, weekly, and monthly banking and business publications?
13. Have you made good use of the educational facilities developed by the banking business—A.I.B., G.S.B., etc.—or available at local universities?
14. Have you developed any new ideas that have benefited your bank and its customers?
15. Have you periodically appraised your progress under your self-development program and made the necessary adjustments?



EACH reader can determine for himself whether he is satisfied with his score on this "exam."

Those who want to improve their approach to self-development will find considerable material available. The A.B.A. book, *Executive Development in Banking*, is especially recommended, as it was based on the experience of hundreds of bank executives. It contains an approach to clarifying job requirements, a discussion of factors that determine job performance, ideas on how to be more objective in appraising, and suggestions on aids to development both inside and outside the bank.

BANK ANALYSIS

HERE are 26 questions to assist bank presidents and directors in analyzing their banks' current executive development efforts. The questionnaire has been evolved from the basic principles of executive development to provide a rough idea of how your bank's policy and procedures contribute to the

development of your future bank management team.

Of course, in a complex field such as this, there is some diversity of opinion. Therefore, every effort has been made to frame questions that are basic enough—in large and small banks—to present a fair cross-section of accepted executive development practices.

1. Is there a firm belief in your organization that the discovery of executive talent and its development is *vital* not only to get today's job done better, but also to provide for expansion and to build for the future?
2. Does your bank have a plan of organization that meets present needs and that provides a framework on which you can build to meet future needs?
3. Does your bank forecast its probable growth over the next 5 and 10 years?
4. Has your bank forecast probable official needs over the next 5 and 10 years to cover retirements and expansion?
5. Has your bank an orderly and methodical system for the discovery, development, and assignment of executive personnel?
6. Has your bank a written statement of policy or principles governing your executive development program?
7. Has your bank described, in writing, the major requirements (experience, technical knowledge, judgment, decisions, etc.) of managerial or executive positions as part of your program?
8. Does your bank have an appraisal program that will uncover hidden executive talent in your organization?
9. Does your bank know, right now, which members of the present staff have the potential for executive development?
10. Does your appraisal procedure provide for appraisal by more than the subject's immediate superior to increase objectivity and depth?
11. Does your appraisal procedure provide for searching beyond an individual's immediate job—outside the bank if necessary—for evidence of executive potential?
12. Does your appraisal procedure include a summation of the individual's strengths, weaknesses, and areas of need, and recommendations for action that will help his development?
13. Is the appraisal followed by a constructive counseling interview?
14. If successive appraisals indicate an individual is a misfit in the banking business, is he frankly told of such a conclusion?
15. Has the officer conducting the counseling interview been briefed on the "aids" that are available that may be helpful in the development of the individual?
16. Is your bank making full use of "inside-the-bank" development techniques, such as guided reading and discussions, special projects, job rotation, and staff conferences?
17. Is your staff encouraged to use the educational facilities developed by the banking business—A.I.B., G.S.B., etc.—or available at local universities?
18. Does your counseling program offer guidance on which school or courses might be of most value to a particular individual?
19. Do you consider the development requirements of your staff in selecting individuals to attend various meetings, conferences, and conventions?
20. Do you check on whether or not an individual—and the bank—receives "full value" from a given school or conference?
21. Are your bank programs of officers' meetings and staff conferences used as development aids?
22. Does your bank appraise periodically the progress of an individual against what reasonably might be expected?
23. Is your recruiting program designed to feed a sufficient flow of potential executive material into your development program?
24. Is the success of your executive development program being used as a "sales argument" in your recruiting program?
25. Are the results of your executive development program being used to improve your screening of recruits?
26. Have you explained the objectives and the functioning of your executive development program to your staff?

Your answers to the above questions should give you a rough idea as to how closely your executive development program matches those of other banks. The questions are based on suggested procedures contained in *Executive Development in Banking*.

These procedures were based on over five years' experimentation in several banks followed by a "field testing" with 350 bank presidents. More recently they have been substantiated by the survey of 180 bank executive development programs reported on page 40 of this issue of *BANKING*.

College Men in Banking

A Survey of Employment Problems and Salaries in 196 American Banks

FRANK S. ENDICOTT

DR. ENDICOTT, director of placement, Northwestern University, Evanston, Ill., makes the "Annual Report on Trends in the Employment of College and University Graduates in Business and Industry," widely publicized and closely studied by many leading corporations.

Over an 11-year period he has organized a background of recruitment data on 200 well-known business and industrial companies. It is against this background that he compares the data he received from the 196 banks answering the questionnaire sponsored by the A.B.A. Committee on Executive Development.

THE purpose of this survey was to determine the extent to which banks are selecting, training, and promoting to executive positions men who come out of our colleges and universities. Under sponsorship of the Committee on Executive Development of the American Bankers Association, inquiry forms were sent to a representative group of banks throughout the country. A total of 196 supplied information upon which this report is based. They are located in large cities, suburbs, farming areas, and other typical communities in 36 states and the District of Columbia. They employ almost one-third of the 585,000 people in the banking business.

Some Problems and Suggested Solutions

The tables included in this report indicate that major problems encountered in bringing college men into the banking business relate to salary, promotion and to the training program for the individual after employment. It is also clear that banks need to provide more information about opportunities in banking. Most of the problems which relate to the graduates themselves can be greatly reduced by developing an effective selection and recruiting program.

Rapid promotion, close personal attention, competitive salaries and a well planned training program top the list of suggestions offered by the banks themselves for reducing turnover among college trainees.

The experience of banks which

have developed a program of planned recruitment, training and promotion seems to indicate clearly that more banks can find the future leadership they need by actively seeking college graduates. Although it is not the purpose of this report to outline such a program, much of the basic information needed by banks as they meet the challenge is set forth.

Recruiting of College Graduates

It appears that banks are aware of the importance and value of a college degree. This is especially true of larger banks where over 50% of the vice-presidents are college graduates. Even in banks with deposits under \$100,000,000, 36% of the vice-presidents hold college degrees.

Smaller banks, however, seem to be making little direct effort to recruit college seniors. Although 14 of the banks under \$100,000,000 in deposits are planning to hire college graduates, only five of them are taking the initiative in making contacts with colleges. In such cases, only one or two schools will be contacted.

On the other hand, almost all the very large banks, and over two-thirds of the banks with deposits from \$200 to \$500,000,000 will

Dr. Endicott



contact colleges in a somewhat active recruiting campaign. In general, the larger banks are following practices very similar to those of larger corporations in recruiting, training, and promoting college graduates. Small banks sometimes employ college graduates who apply, but very few small banks have developed a recruiting program.

Starting Salaries

It is difficult to compare the starting salaries offered to college graduates in banks with salaries in other types of industry. Large corporations with very well organized campus recruiting programs frequently set the pace regarding starting rates. Many smaller companies do not pay salaries to college graduates which are quite as high as those offered by large corporations. Most banks are small concerns, since the average bank with less than \$100,000,000 in deposits employs a total of about 130 people.

Very large banks are offering starting salaries to college graduates which compare favorably with salaries in large corporations. For example, banks with over \$1-billion in deposits will offer June graduates, on the average, a starting salary of \$381 per month. A similar report from large and medium-sized corporations indicated an average starting rate for June graduates of \$382 per month.

Average monthly starting salaries for college men from the 1957 graduating classes were reported as follows:

Banks under \$100,000,000..... \$327

Banks from \$100 to \$200,000,000..... 328
 Banks from \$200 to \$500,000,000..... 341
 Banks over \$500,000,000..... 373

Earnings After Several Years

Long-range opportunity for the college man in banks appears to be excellent. Since smaller banks have made little attempt to select and train college men for executive positions, only a few such banks were able to report salary data for graduates of previous classes. Nevertheless, in banks under \$200,000,000 in deposits, the average college graduate employed 10 years ago is now earning about \$733 per month. In banks with deposits over \$200,000,000, the average college man employed 10 years ago is earning \$863 per month. Many such men are officers or assistants to officers. Their counterparts in larger corporations, with general business backgrounds, are earning about \$768 per month.

It appears that the size of the bank is not the only factor in determining larger earnings on the part of college men. A more important factor seems to be the policy of the bank in selecting young men for executive development. In those banks where a college recruiting and management development program are in operation, the salaries of college men are comparable to salaries in other types of industry, and, in many cases, the earnings records of men in banking are definitely better.

Studies of the earnings of college men in other industry indicate that in past years since World War II the graduate has doubled his starting rate in about five years. This has

also been true of men employed by banks, taking into account the fact that in smaller banks the starting rates are not as high as those in large or medium-sized corporations.

Keeping College Men

Respondents to this inquiry were asked to indicate the number of college men hired from previous graduating classes and, also, the number of such men still employed in the bank. The results were as follows:

	Number Hired	Number Still Employed	Percent Retained
Hired 3 years ago	652	390	60%
Hired 5 years ago	519	260	50%
Hired 7 years ago	355	183	51%
Hired 10 years ago	314	160	51%

It appears that banks have steadily increased the number of college men employed during the past 10 years, and that the number more than doubled from 1946 to 1953. Losses tend to level off at about 50% after the fifth year. If the college man stays with the bank for five years, he will probably remain.

Comparable figures for other types of industry are not readily available. It is known that losses are greatest during the first two years. Recently a group of representative companies reported that an average of 67% of the college men hired five years previously were still employed. It appears that the experience of banks in this matter parallels that of other industry, but that the losses in banks are significantly greater.

In general, banks lose men for

GENERAL INFORMATION ON THE 196 REPORTING BANKS

	Deposits Under \$100 Million	Deposits \$100 to \$200 Million	Deposits \$200 to \$500 Million	Deposits \$500 Million to \$1 Billion	Deposits Over \$1 Billion	Totals
Number reporting	47	58	57	17	17	196
Total personnel	6,059	19,147	35,048	23,989	101,677	185,920
Percent of total personnel with bachelor's degree	6.1%	7.2%	7.5%	12.4%	6.6%	7.3%
Banks in which the president is a college graduate	25	31	35	13	16	120
Number of vice-presidents	247	676	932	643	1,306	3,804
Number of vice-presidents who are college graduates	90	268	438	348	713	1,857
Percent of vice-presidents who are college graduates	36%	38%	46%	54%	55%	49%
Banks planning to hire college men this year	14	38	42	16	15	131
Banks planning to contact colleges this year	5	31	39	13	14	102
Total number of colleges to be contacted	9	134	198	184	356	881
Total number of colleges contacted last year	5	117	132	187	334	775

AVERAGE STARTING SALARIES FOR COLLEGE MEN IN 124 BANKS

(Men to be hired from the class of June or August, 1957)

Size of Bank by Deposits	\$275 or less	\$276 to \$300	\$301 to \$325	\$326 to \$350	\$351 to \$375	\$376 to \$400	\$401 or over	Average Starting Salary
Under \$100,000,000								
14 banks plan to hire a total of 40 men.....	2	5	2		3	2		\$327
\$100,000,000 to \$200,000,000								
38 banks plan to hire a total of 148 men.....	2	8	13	9	6			\$328
\$200,000,000 to \$500,000,000								
42 banks plan to hire a total of 210 men.....	1	5	12	12	9	2	1	\$341
Over \$500,000,000								
30 banks plan to hire a total of 690 men.....			3	5	8	13	1	\$373
<hr/>								
Average starting salaries to be offered to general business trainees from 1957 classes as reported by 104 large and medium-sized corporations, Nov. 1956.....	1	5	16	27	29	26		\$382

the same reasons reported by various corporations; namely, more money, greater opportunity for advancement, and a desire to live elsewhere. It may be significant, however, that more losses by banks are due to the fact that the men are unsuited to the work or do not like banking. The need for better selection by banks is clearly indicated.

Requirement of College Subjects

An important consideration in the employment of college graduates by banks is the requirement of specific subjects or fields of specialization. Those who supplied data for this study were asked whether or not the bank requires college men to have majored in any particular subject.

It is interesting to note that less than one-third of the banks which actually hired college men last year indicated that particular fields of major study were required. Subjects most frequently mentioned were business administration, economics, finance and accounting. Some rural banks are seeking men who have studied agricultural economics.

It appears, therefore, that graduates of colleges of liberal arts and business school graduates with a general background can meet the requirements of about two-thirds of these banks as far as their fields of study in college are concerned. This means that most banks are not competing with other types of indus-

try for the technically trained college graduate or for men in the field of accounting. These are fields in which the demand greatly exceeds the supply and where starting salaries are higher. Furthermore the liberal arts graduate with a general background frequently finds his services less in demand by large corporations.

It should also be mentioned that banking has developed its own specialized courses through the American Institute of Banking, The Graduate School of Banking, and through state and regional instructional programs. Thus there is opportunity for the liberal arts graduate to secure specialized training after employment in a bank.

Major Problems Encountered in Employing College Men, as Reported by 144 Banks

(Numbers indicate frequency of mention)

Problems Relating to Salary (110): Low salary; low starting salary, 53. Higher salaries in other industry, 25. They expect too much; unrealistic salary demands; tendency to overestimate their worth, 13. Salary in relation to others in the bank, 11. Slow advancement salarywise, 6. Unwillingness of bank to meet realistic salary requirements, 2.

Problems Relating to the Graduates Themselves (85): Lack of interest in banking, 20. They expect too much; unrealistic salary demands; tendency to overestimate their worth, 13.* Im-

patient with on-the-job training; dislike beginning clerical jobs, 13. Want to progress too fast, 12. More interested in present than in future, 7. Lack practical experience, 5. Some do not meet our standards, 4. Unwilling to give time to acquiring practical knowledge, 3. Not interested in further education, 3. Inability to take responsibility, 2. Do not want to live in a large city, 2. They think they need finance and accounting background, 1.

Problems Relating to Lack of Information About Banking (61): Graduates not aware of oppor-

tunities in banking; inadequate information, 23. Overcoming misconceptions; reputation of banks as low-pay—conservative, 22. Banks have not done a selling job; selling banking opportunities, 10. Some professors have a negative impression of banking; they lack information, 4. Colleges do not create interest in banking courses; limited offering, 2.

Problems Relating to Competition for College Men (51): Higher salaries in other industry, 25.* Competition with large corporations, 18. Greater appeal by other industry, 4. Smaller banks can't compete with large city banks, 4.

Problems Relating to Promotion and Advancement (43): Slow advancement; slow progress, 19. Lack of adequate selection and training program, 11. Lack of positions with enough responsibility, 8. Predicting progress for the individual, 4. Educating senior officers, 1.

Problems Relating to Other Employees (35): Morale of non-college employees; conflict—resentment, 20. Salary in relation to others in the bank, 11.* Seniority; promotion from within, 2. Too many senior officers; superannuated officers, 2.

* Listed also under Problems Relating to Salary.

Most Effective Ways to Reduce Turnover Among College Trainees as Reported by 112 Banks

(Numbers indicate frequency of mention)

Give them responsibility as soon possible; rapid promotion... 34	Well developed, carefully planned, stimulating training program 25	Give them interesting work; a variety of jobs; challenge full ability 16
Close personal attention; regular conferences; show genuine interest 34	Careful selection; better selection 18	Recognition; steady advancement; promote on merit regardless of seniority 14
Better salaries; adequate pay; pay as well as other industry 28	Regular evaluation of progress; keep them informed 17	Don't oversell the job; clear un-
	Regular salary review; progressive salary increases 16	(CONTINUED ON NEXT PAGE)

EARNINGS OF COLLEGE MEN FROM PREVIOUS GRADUATING CLASSES EMPLOYED BY BANKS

Respondents were asked to report the average monthly salary for college men employed from classes indicated below.

	Under \$400	\$400 to \$500	\$501 to \$600	\$601 to \$700	\$701 to \$800	\$801 to \$900	\$901 to \$1,000	Over \$1,000	Number of Banks Reporting	Average Monthly Salary
Banks with less than \$200,000,000 in deposits										
Men hired 3 years ago (Class of 1953)	15	19	1	1					36	\$407
Men hired 5 years ago (Class of 1951)	5	16	6		1				28	466
Men hired 7 years ago (Class of 1949)	2	9	9	2	4				26	544
Men hired 10 years ago (Class of 1946)		4	2	3	2	4		3	18	733
Banks with more than \$200,000,000 in deposits										
Men hired 3 years ago (Class of 1953)	11	29	10		1				51	456
Men hired 5 years ago (Class of 1951)		20	14	6	2		2		44	543
Men hired 7 years ago (Class of 1949)		10	13	7	5	1	2	3	41	636
Men hired 10 years ago (Class of 1946)			4	6	6	1	4	6	27	863

Salaries of men from previous graduating classes were reported by a representative group of large and medium-sized corporations in November 1956. Below are the averages for general business trainees:
 Men hired 3 years ago (Class of 1953) 75 companies reporting: Average \$478
 Men hired 5 years ago (Class of 1951) 75 companies reporting: Average 556
 Men hired 7 years ago (Class of 1949) 60 companies reporting: Average 640
 Men hired 10 years ago (Class of 1946) 51 companies reporting: Average 768

Understanding of opportunity for advancement	10	bank	3	Give them opportunity for specialized study	1
Offer liberal, adequate fringe benefits	4	Insist on A.I.B. courses	2	Be open-minded about their field of specialization	1
Make them part of a team; participation in all activities of the		Keep them aware that there is much to learn	1	Recruit locally	1
		Hire for a specific opening with advancement possibilities	1	Testing	1

Major Reasons Why Beginning College Graduates Left 116 Banks

(Numbers indicate frequency of mention)

Higher salary elsewhere; salary progress too slow; more money	48	Lack of challenge; work too routine; not using abilities	6	bank	2
Unsuited to banking; did not like it; did not meet our standards	41	Decided to practice law; self-employed	5	Left to attend graduate school	1
Greater opportunity elsewhere.	33	Better opportunity in another bank	3	Left to capitalize on acquired experience	1
Advancement too slow	29	Impatience; unwilling to wait ..	3	Overestimated the power of a college degree	1
Preferred to live elsewhere; returned to home town	12	We had no training program; bank failed to train for management	3	Not made to feel a part of the organization	1
Military service	11	Poor selection on the part of the		Personality clashes	1
Changed interests; wanted to try some other field of work	7			Personal reasons	1
				Poor health	1

AROUND OUR BANK

SHE was a wealthy tourist, with a winter home in Florida, and the owner of much beautiful silver, which, for the most part, she kept stored in the vaults of the local bank.

Every year she gave a very elaborate and swanky banquet, and, of course, this occasion called for the display of all these costly possessions for the benefit of her guests.

So when she called an officer at the bank and requested that the silver be sent to her home, the huge container was promptly delivered to her.

A short time later the officer's telephone rang and an angry voice shrilled, "I'm sending that silver right back to the bank!"

"What's the trouble?" asked the officer. "Was some mistake made about getting the right packing cases to you?"

"No—it's my own silver, all right,"

was the reply, "but how dare you send it back to me without polishing it? The very idea! I'm sending it right back to you, and you see that it's polished. Such carelessness!"

"But we don't polish silver," protested the astounded officer, "we just keep it safe in the vaults. In

fact we don't even have any silver polish in the bank."

"Of course you do. You must—or how would you polish your quarters and half dollars and so on?"

Overwhelmed, the officer could only gasp, "They come that way!"

BELLE S. HAMILTON



How Banks Can Resist the Mushrooming of Federal S&L Associations

*Protests Must Be Well Planned, Carefully
Prepared and Persuasively Presented*

ALFRED L. SCANLAN

The author, a member of the District of Columbia, Maryland, and Indiana Bars, is associated with the law firm of Shea, Greenman, Gardner & McConaughy of Washington, D. C. He was formerly assistant professor of law at the University of Notre Dame Law School and also served for a while as assistant counsel of the Munitions Board, Department of Defense.

SINCE the end of World War II, federally chartered savings and loan associations and branches of such associations have been established at a rapid rate in many communities throughout the nation. *Staff Report: A Study of Relationship between the FHLBB and the FSLIC*, (Committee Print), 84th Cong., 2nd Sess., p. 7 (1956).

Although several recent attempts have been made in the Congress to curb the mushroom-like growth of Federal associations and their branches, as of the date of this writing no legislation of this type has been enacted. Moreover, the Federal Home Loan Bank Board, which is given authority under Section 5(e) of the Home Owners' Loan Act of 1933, as amended, 12 U.S.C. 1464, to approve the establishment of Federal savings and loan associations, has been very liberal in permitting them. *Report of the Federal Home Loan Bank Board* (1955),

p. 46. Actually only about one application out of five, either for an original charter or for the establishment of a branch of an existing Federal association, is denied by the board. As a consequence, more and more commercial banks and state savings and loan associations lately have been confronted with the threat represented by the establishment of a Federal savings and loan association in their communities.

S&L Advantages Well Known

It is not the purpose of this article to point out in detail and lament the competitive advantages which a Federal savings and loan association enjoys as a result of its federally granted charter. These are quite well known to the readers of this magazine. A Federal charter carries with it membership in the Federal Home Loan Bank System. As a result of that membership, the Federal association is able to obtain advances from the Federal Home Loan bank in its district at any time that heavy demands for shareholders' funds threaten liquidity. 12 U.S.C. 1430. On the other hand, when oversupplied with savings funds, the association can deposit the excess at interest with the district Federal Home Loan bank. 12 U.S.C. 1431(e).

When interest rates on home mortgages are attractive, advances from

the exceptional credit resources of the Federal Home Loan Bank System permit a federally chartered association to invest amounts in home mortgage loans which exceed funds on deposit. No commercial bank has access to such remarkable credit facilities in compiling its home mortgage loan portfolio. Limitations of law, both Federal and state, restrict the ratio of home loans which a bank may make in relation to its time deposits. In addition to the advantages enumerated, a Federal savings and loan association is permitted to build reserves up to 12% of total share accounts before being subject to Federal income taxes. Commercial banks do not enjoy a similar tax exemption in accumulating necessary reserves. It is little wonder, as a result of possessing such advantages, that a Federal association usually is in the favorable competitive position of being able to offer dividends on its share accounts of 1% to 1½% more than the commercial banks with which it competes in obtaining depositors.

No Doubt as to Competition

There is no question but that the bank which has a Federal savings and loan association operating in its community has a powerful competitor. It is quite clear, therefore, that it is in the interest of commercial banks to see that associations

are not granted charters promiscuously and are not established in areas where their facilities are not needed and where their establishment would have a severe and detrimental impact on the prosperity and growth of existing local lending institutions.

However, in view of the indisposition of the Congress to act by way of remedial legislation, the only opportunity which the banks have to thwart the establishment of a Federal savings association in their community is by convincing the Federal Home Loan Bank Board that an association is not needed in their area. As mentioned above, this is no easy task, since the board's record is one of demonstrated favoritism in the direction of approving Federal savings and loan associations and their branches. However, the contest is not always a hopeless one. It is the purpose of this article to shed some light on what steps banks can take in resisting a proposed application to establish a Federal savings and loan association or a branch thereof.

Too often, when a community is alerted that an application has been made to establish a Federal association, the local lending institutions, which have competed with one another for many years, find it difficult to get together in offering combined resistance to the application and foolishly pursue independent paths in opposing it. The first step the banks should take after they learn that an association has been proposed is to see if they can work out a common opposition or defense to the application and put the control of their case in the hands of experienced counsel who is mutually acceptable to all of them, assisted, of course, by counsel and representatives of each of the participating banks.

Study Applicable Procedure

Assuming that the banks are able to join in a cooperative effort in resisting the proposed application to establish a Federal association in their community, the next step is to become familiar with the applicable procedure which is involved in a contested hearing before the Federal Home Loan Bank Board. The board's regulations are printed in 24 *Code of Federal Regulations*, Part 141-143 (1956). Section 5(e) of the Home Owners' Loan Act, 12 U.S.C.

Total Savings and Loan Assets

(As of Year-End—in Millions of Dollars)

Dec. 31	Mortgage Loans	Government Bonds	Cash	Real Estate Owned ¹	Other Assets	Total Assets
1929	\$ 7,791	\$ †	\$ †	\$ †	\$ †	\$ 8,695
1930	7,760	†	†	238	†	8,829
1931	7,214	†	†	370	†	8,417
1932	6,407	†	†	642	†	7,737
1933	5,559	†	†	828	†	7,018
1934	4,593	†	†	1,012	†	6,406
1935	3,947	†	†	1,163*	†	5,875
1936	3,810	99	218	1,160	485	5,772
1937	3,886	81	206	1,026	483	5,682
1938	3,967	75	223	901	466	5,632
1939	4,126	73	274	689	435	5,597
1940	4,415	71	307	499	441	5,733
1941	4,823	107	344	332	443	6,049
1942	4,810	318	410	206	406	6,150
1943	4,793	853	465	117	376	6,604
1944	4,983	1,671	413	60	331	7,458
1945	5,521	2,420*	450	33	323	8,747
1946	7,276	2,009	536	26	355	10,202
1947	8,971	1,740	560	13	403	11,687
1948	10,409	1,455	663	12	489	13,028
1949	11,714	1,462	880	15	551	14,622
1950	13,749	1,489	924	21	710	16,893
1951	15,654	1,606	1,066	13	883	19,222
1952	18,476	1,791	1,289	21	1,083	22,660
1953	22,037	1,923	1,479	20	1,274	26,733
1954	26,266	2,021	1,980	25	1,444	31,736
1955†	31,650*	2,380	2,087*	25	1,658*	37,800*

†Preliminary figures.

*All-time high. †Not available. ¹Excludes office buildings.

Source: Federal Home Loan Bank Board.

1464(e), provides the statutory standards which the board is supposed to observe in passing upon an application for a Federal association. The section reads:

No charter shall be granted except to persons of good character and responsibility, nor unless, in the judgment of the Board, a necessity exists for such an institution in the community to be served, nor unless there is a reasonable probability of its usefulness and success, nor unless the same can be established without undue injury to properly conducted existing local thrift and home-financing institutions.

The criteria thus set out are similar to the standards which Congress has required in other statutes granting public certificates, licenses, or charters. The question presented essentially is that of the need for the applicant's services in the community it proposes to serve.

The Home Owners' Loan Act says nothing expressly about the requirement of a hearing where the board passes upon an application. However, the board's rules provide for a hearing, and the practice is always

to have a hearing in any case in which a protest is made against a proposed application. Moreover, although the courts have never squarely passed upon the point, it would seem that a hearing is impliedly required by the Home Owners' Loan Act in any case where the application is contested, in view of the fact that the Congress expressly manifested its concern over the effect on existing lending institutions serving the community where the applicant proposes to establish operations. *Butler Savings and Trust Co., et al. v. Home Loan Bank Board*, 225 F.2d 33 (C.A.D.C.).

Viewpoint of Courts

The statute also is silent about the board's power to approve branches of Federal savings and loan associations. The courts, however, have upheld that authority, and it seems quite beyond overturning at this time other than by legislative action. *North Arlington National Bank v. Kearny Federal and Savings Loan Association*, 187 F. 2d 564 (C.A.3), cert. den., 342 U.S. 16.

So far as commercial banks are concerned, the forum, then, in which

they may entertain any genuine hope of blocking the establishment of an association is the Federal Home Loan Board, and not the courts. The Circuit Court of Appeals for the District of Columbia, recently held that a commercial bank was not a "local thrift and home financing institution" within the meaning of the Home Owners' Loan Act and, as a consequence, had no standing to challenge a decision of the Federal Home Loan Bank Board approving the establishment of an association. *The Union National Bank of Clarksburg v. Federal Home Loan Bank Board*, 233 F. 2d 695 (C.A.D.C.).

Since it is not yet certain, despite a change in the law made in 1954, that the Federal Home Loan Bank Board can be sued anywhere else than in the District of Columbia, it is apparent that the only practical recourse open to a bank opposing the establishment of a Federal association is to make a convincing case at the board level.

Informal Procedures

The procedures before the board are comparatively informal in nature—more so, in fact, than the proceedings of other Federal administrative agencies. The hearing is conducted by a hearing officer. However, the hearing officer is an official with very little independent authority. Although he does pass upon objections to the admission of evidence and presides over the conduct of the hearing, the hearing officer is an impotent presiding officer, since, unlike the hearing examiners of other agencies, he makes no initial or recommended decision or findings of fact for submission to the board. The board itself, moreover, does not enlighten the litigants very much regarding the factual grounds of its decision. Usually, the board merely grants or denies the application without making any specific findings of fact and always without having permitted the parties to address oral argument to it.

This enigmatic procedure has been severely criticised and seems in clear violation of the hearing requirements of the Administrative Procedure Act. However, although the point has been pressed in the courts, it has not yet been authoritatively decided whether the Federal Home Loan Bank Board is under a duty to comply with requirements of the

Administrative Procedure Act in hearings with respect to the establishment of a Federal savings and loan association. *Butler Savings and Trust Co., et al. v. Federal Home Loan Bank Board*, 225 F. 2d 33 (C.A.D.C.). Until that issue is decided we can expect the board to continue to preserve in mystery the grounds or bases of its decisions.

Necessary Types of Evidence

While the board's decisional process may remain a secret not revealed to the parties or the public, there are certain kinds of evidence which obviously are important in any proceeding involving an application to establish a Federal savings and loan association or branch—evidence which banks resisting an application should attempt to collect and introduce in the hearing.

First, the issue of the applicants' character and responsibility is not one that can be pressed with success in the typical case. Whatever one may think of Federal savings and loan associations, rarely is their establishment proposed by other than respectable people. On the other hand, by reading "responsibility" in a broader sense than is usually attributed to that term, there are issues which may arise on particular occasions under the general question of the applicants' responsibility.

For instance, the board has expressed concern about the commingling of office quarters of a proposed association with those of another business, such as an insurance agency or a real estate company. The board is apprehensive lest, in the situation of that sort, "there may be a failure to preserve an adequate separation of funds, records, and personnel, or that the savings and loan association may be operated as an adjunct of the other business." *FHLB and FSLICA Study of Relationships*. Hearings before a subcommittee of the Senate Committee on Banking and Currency, 84th Cong., 2nd Sess., p. 17 (1956).

Requirements as to Directors

The board also professes to be disturbed that any board of directors of a new association not be a representative group and insists that at least two-thirds of its members not be engaged in any business closely related to the savings and loan business. Moreover, it has been

the policy of the district Federal Home Loan banks to require that the applicants show that at least two-thirds of the proposed board of directors are not actually engaged in or affiliated with any real estate, home construction, or mortgage brokerage business. Therefore, in certain situations, protesting banks might be able to demonstrate that the proposed association will be either the creature of or primarily dominated by real estate interests of the community and thus not qualified under the standard of "responsibility" as the board construes that criterion.

Question of Need

The most critical issue in a contested application proceeding is the question of the need for the applicant's services in the community involved. Here the applicant, as it once was put in a proceeding before the board, must establish a case of "the community reaching out" for the applicant. Conversely, the banks resisting an application must be thoroughly prepared with evidence on the basis of which they hope to convince the board that it should reject the application on the grounds that there is no need for the establishment of the association.

The applicant, of course, in the ordinary case, will produce a number of letters, and possibly affidavits, from members of the business community, usually in the real estate or construction fields, attesting to an alleged need for the applicant's services, especially in regard to home mortgage financing. Usually these are self-serving, and effective cross examination can diminish what persuasiveness such statements might have.

However, since letters and hearsay comment of this kind are received into evidence, the protesting banks should also attempt to collect statements in opposition to the application from real estate representatives, business and labor leaders, and from other business and civic groups. Since most businesses maintain close and cordial relations with banks of their community over a period of years, it usually is not too difficult to obtain some helpful statements, and possibly even witnesses, from representatives of the business community regarding the adequacy of the home mortgage financing and

(CONTINUED ON PAGE 165)

METHODS and IDEAS

New Automation Hardware

SOME of the tools of automation, now available or in prospect, were reviewed by B. W. Taunton, The First National Bank of Boston, at the 22nd eastern regional convention of the National Association of Bank Auditors and Comptrollers at Asheville, N. C.

Mr. Taunton, assistant manager of the bank's control division, reported on several pieces of equipment for commercial banks in various size groups.

Of interest to banks with relatively few checking accounts, if not to the larger ones as well, he said, should be such items as two new bookkeeping machines priced between \$10,000 and \$11,000.

If You Have Two or More Machines . . .

"This equipment," Mr. Taunton explained, "may prove to be economically sound to any bank having a sufficient volume of business to require two or more bookkeeping machines of the type currently in use. Both are intended to service in the neighborhood of 2,000 accounts, at speeds approximately 100% greater than has been possible for ordinary mechanical equipment.

"Both use a statement form upon which there are imprinted on the reverse of the form, or on the analysis stub, strips of oxide coating similar to what is used on magnetic tapes.

"On this coating can be recorded, in form of magnetic dots, the last three digits of the account number, the last balance, number of checks paid, an indication of the next posting line, as well as signals for alerting the operator to stop payments, holds, etc. This information may be

erased and re-recorded automatically each time the account is posted."

4,000 Accounts or Over

For banks having 4,000 checking accounts or more there is other equipment, more electronic in nature, built in units or packages that include devices for encoding checks with the amount and other data, facilities for sorting and listing checks of various sizes and thicknesses, as well as bookkeeping equipment. One is a small computer, coupled with a memory device in which data on each account are recorded magnetically on discs similar to phonograph records. Fifty of them can store 50,000 100-character records. Depending on how the bank organizes its records, each unit can handle 15,000 or more checking accounts. "The system is so priced, however, that it should be economically attractive to banks having fewer accounts than this," Mr. Taunton said.

Other companies, he continued, are considering configurations of equipment designed to handle all phases of check processing. "One manufacturer, for example, proposes to include a proof machine capable of listing and sorting items in the orthodox fashion and also simultaneously encoding the amount on each check or deposit ticket. Subsequently, the sorting portion of this equipment can be used to fine sort automatically 'on us' items at the rate of 450 to 500 documents per minute. Once sorted, the coded items can be stacked in the bookkeeping

unit where they are automatically transported, read, and posted to master files maintained on magnetic tapes.

Printing Equipment

"Relatively inexpensive printing equipment is proposed, which will enable the bank to prepare either streamlined or detailed statements, as it wishes. The bookkeeping operation is in fact a by-product of the initial proof step—and all intermediate proof steps are eliminated. Priced to sell in the neighborhood of \$60,000, or to rent for \$1,250 per month, this system could be attractive to banks with 3,800 or more accounts and is capable of processing 7,000 to 7,500 accounts."

Mr. Taunton also reported on numerous systems available and proposed for the larger banks. Prototypes of two new computers will probably be in operation this year.

"Both warrant serious consideration since they have been specifically designed to meet the problems inherent in data handling as distinguished from the older types of machines which were basically designed to solve scientific problems."

Mr. Taunton pointed out that the development of equipment needed by banks was not limited to the well-known manufacturers. "Many new and promising developments are to be found in the laboratories of corporations which we have not heretofore identified with the office equipment field, and we should not be prone to overlook these in our studies of available equipment.

Machines with Many Uses

"Also, many of the machines designed for handling the bookkeeping phase of the job fall in the class

METHODS AND IDEAS is edited by
JOHN L. COOLEY

of general purpose equipment. That is, they are not tailored to a specific banking operation such as maintaining deposit accounts, but may be applied to others as well.

"We have been in the habit of buying a specific machine for a specific job. While many banks have thought of electronic equipment in this light, the trend seems to be away from so-called specific or special purpose equipment. We suggest that in considering equipment, even

in the smaller banks, thought be given to the possibilities of using it in the various accounting areas. The experience of the larger banks with punch card equipment has proven the desirability of handling various applications on the same configuration of machines. Introduction of more automatic methods, and particularly of electronic computing devices, promises to accelerate this trend.

"Central processing of as many

applications as possible in a given bank or branch certainly offers economic advantages in the reduction of space requirements and the number of skilled employees required, as well as operating expenses. In many cases multiple use may prove to be the economic justification for the installation.

"In any event, we recommend careful consideration of whether special purpose or general purpose machines should be selected.

Operating Shortcuts

HERE are several operating shortcuts reported by Charles D. Coen, director, Technical Division, National Association of Bank Auditors and Comptrollers, at NABAC's Asheville meeting.

Banker Devises 6-in-1 Form. A triplicate form developed by L. M. Schwartz, president of the Citizens State Bank, Paola, Kan., contains these six records in one cleverly arranged sheet:

(1) Check list for new accounts procedure; (2) new account deposit ticket with duplicate for customer; (3) credit file information form; (4) order form for imprinted checks; (5) order for endorsement stamp; (6) order for addressograph plate. The last item is prepared as a product of heading the deposit ticket itself, for which the third copy of the form bears a special perforation.

Instructions printed in the lower right hand corner indicate the distribution of various copies. The original is folded and used as the regular deposit ticket, too. The duplicate is separated at the perforations, the deposit ticket going to the customer, the orders for checks and stamps to the suppliers, and the information form to the credit file.

The triplicate is circulated among the officers after detaching the addressograph plate order and is then filed in a reference binder.

The form is on special paper to eliminate smearing caused by carbons.

Mr. Schwartz is chairman of the Country Bank Operations Commission, American Bankers Association.

Common Advice of Credit or Remittance. The bank of Davis, Davis, Calif., has developed a multiple copy form that will handle many functions for which special forms are often designed, Mr. Coen reported. Cost has been reduced by using a single press print with copies prepared through the medium of carbon paper.

The form is used for many advices of credit; also for types of remittances in settlement for collection items and other purposes.

"This form is mentioned because it could well be a thought starter for many bankers," said Mr. Coen. "Perhaps in their individual shops they will find many areas in which different forms are used for similar purposes. One well designed form might serve the purposes of several

others, cutting the cost of the forms and the amount of inventory which must be maintained."

"Do-It-Yourself" Customer Account Reconciliation. "Many bankers have been concerned about the problem of reconciliation of checking accounts now that there are so many more people availing themselves of this bank service," he continued. "There has been an evident need for training of these customers in the methods of reconciling their own accounts."

The Home State Bank, Jefferson, Iowa, has encouraged this practice of account reconciliation. The first step in its campaign was to send out a piece of promotional literature explaining why, when, and how the
(CONTINUED ON PAGE 124)

Story or Fact?

BANKS can insure against dollar losses, but the loss of hard-earned public confidence can't be covered by the blanket bond, Bruce W. Riley, executive vice-president and cashier of the National Bank of Wilson, N.C., reminded the Asheville convention.

Too many bankers read about defalcations and then regard them as "parables rather than fact," he said. "But when it happens to you it's no longer a parable. Prepare yourself so that it can be a parable.

"Let's pledge ourselves to better audit control in our banks. Where there is no auditor, let a control officer be appointed. When there isn't a control officer, directors should employ outside auditors each year, and continuous controls should be installed.

"Read everything you can on embezzlements, and then compare your own operating procedures with those of the bank that had the unfortunate experience. You will be surprised at what your analysis will disclose. Keep an open mind.

"Whether defalcations are parable or fact to you depends on your search for better audits in your bank."

The Requirements of a Bank for FIRE and CASUALTY INSURANCE

HERBERT BRATTER

This is the sixth in BANKING's series on bank insurance, written in Washington by HERBERT BRATTER.

IN common with other businesses, banks need insurance against a wide range of risks due to fire and casualty. Serious losses may be caused by lightning, windstorm, hail, and water, and by innumerable accidents and other man-made causes. Losses to the bank may ensue because of damage to the bank's own property, to property for which the bank is acting as trustee, to property serving as collateral for loans, or to borrowers' property the loss or destruction of which may impair outstanding loans. Also, losses may occur because of injury to persons. These may be employees, customers, or others injured on the bank's premises or, under many circumstances, off the premises.

Need for Fire Coverage

Banks insured under bankers blanket bonds are protected against loss or destruction of money, securities and precious metals on the premises due to any cause, including fire and related risks. The bank's equipment, furniture and fixtures, as well as the building itself, require separate insurance. Fire insurance protects these against direct loss or damage from fire or lightning, including the destruction of the building of civil authority to prevent advance of fire from neighboring property. More than a dozen different fire policy endorsements are available, including extended coverage, vandalism and malicious mischief, sprinkler leakage, water damage and earthquake insurance. The co-insurance clause is also important.

A bank owning its own building

and renting a portion of it may be well advised to take out insurance against loss of rental income due to fire. Whereas an ordinary business is interrupted by a serious fire while new quarters are provided, a bank is in a very different position. Its income does not cease because of the fire. Moreover, customers continue to draw checks against their accounts, and naturally require uninterrupted financial services so that the community's business may go on. The bank, therefore, may not close for repairs, but must resume operations at an emergency location almost immediately. This may involve major outlays, especially because of the physical requirements of banking. Against the outlays mentioned "extra expense insurance" is available. This protection is especially important for banks not having local branch offices. With or without this form of insurance a bank would be well advised to give careful thought to keeping duplicate records off the premises and having a plan ready in the event that fire or other calamity requires the use of emergency premises.

... and All at Once

Such an event not only requires new emergency premises and equipment but also notifying the customers through newspaper, radio, and possibly poster advertising of the bank's new location; removal of salvagable equipment from the old quarters; notification of insurance companies; preparation of furniture and equipment inventories showing original costs, depreciated values, and post-fire condition; procurement of new equipment; posting guards to protect both old and new locations; ordering new stationery; getting phones installed; planning for

rebuilding or permanent relocation of the bank.

Many banks located in modern office buildings economize on their fire and insurance through extended coverage coinsurance clauses, generally the 80% clause. Under this clause the bank agrees to maintain insurance equal to at least 80% of the insurable value of the building. Thereby a loss of up to 80% is covered fully. On the other hand if a fire loss occurs when the insurance maintained is only, say 40% of the building's insurable value, even though the loss is less than the amount of the policy, the bank is reimbursed for only half of its loss. For the purpose of the coinsurance clause, "insurable value" means cost of replacement less wear and tear depreciation and has nothing to do with book value, tax value, or any other value.

Periodic Review

In view of changing real estate and other values a bank should be careful to see that its fire insurance on building—and contents—is kept adequate through periodic review. Where premises are rented, insurance of the bank's substantial investment in vaults, tellers' counters, and the like should be carefully considered. For this, improvements and betterments insurance is available. Even though the lease provides that such improvements become the landlord's afterwards, the bank's interest in their use meanwhile is important. The lease may obligate the landlord, in case of fire, to restore the premises but not anything installed by the bank; or the lease may provide for its termination in case of a serious fire. In such cases the bank stands to lose heavily unless covered on improvements and betterments.

What to Insure Against, and for How Much, Can Be Determined Only After Study of Loss Exposure and Available Coverage

For the cost of replacing valuable records destroyed in a fire, records destruction insurance is available. This policy covers destruction of valuable papers from any cause other than war, ordinary wear and depreciation, and dishonesty of bank personnel. Leasehold-interest insurance may be advisable where a lease is terminable after a fire, especially if the lease has been written at substantially lower rent than that now prevailing.

Fire insurance on property mortgaged to the bank will be discussed in a separate article of this series. Here we need mention only errors and omissions insurance. This protects against loss when, through error or omission, specific insurance has not been obtained, is invalid or uncollectible, or, is insufficient to protect the interest of the bank. A new and broader form of errors and omissions insurance was recently recommended by the Inter-Regional Insurance Conference for nationwide use, as reported in the March 1957 A.B.A. *Protective Bulletin*.

Casualty Requirements

Insurable casualty risks of concern to banks are so numerous as to preclude more than summary treatment in the space here available. They include such varied potential sources of casualty expense as boilers and machinery, elevators, plate glass, electric signs, on-premises accidents causing injury to persons, including injury for which a contractor making repairs may be responsible; and off-premises injury to employees engaged in bank business or injuries to others for which the bank may be held responsible, for example in the operation of motor vehicles. Even where a bank itself owns no automobile, it may be

held responsible for damage caused by an officer or employee operating his own car while on bank business. Operation of a parking lot requires special insurance protection.

Specific hazard-liability policies are available. Owners', landlords', and tenants' insurance against bodily injury and property damage liability to the public should cover all the properties controlled by the bank. Contractual liability insurance protects in cases of liability assumed by the bank through leases or other contracts. Owners' protective liability insurance protects the bank against liability on account of the operations of subcontractors.

Various Methods Available

A bank's casualty insurance program may be written under a comprehensive public liability and property damage policy. This public liability insurance may be written to cover all the property owned by the bank or held by it in a fiduciary capacity, including not only real estate but all automobiles used in the bank's business, whether owned, hired, or leased by it, not excluding privately owned cars being used on bank business. This comprehensive policy covers liability arising from the work of independent contractors, plus liability assumed under contracts as defined in the policy.

Instead of a single comprehensive general liability policy, some banks find it preferable to have two such policies: one for the trust department, the other for the rest of the bank. The former, with the Fiduciary Liability of Banks endorsement, automatically covers all property as it comes into the bank's fiduciary control. The insurance company upon notification of such acquisitions issues certificates for which the bank is billed separately. Both

such comprehensive liability policies should be taken from the same insurance company.

Banks not using the comprehensive liability policy may be able to use to advantage the fleet plan for automobile insurance, which is subject to an experience discount. The garage keepers' legal liability policy is of interest to banks offering parking facilities.

Maintenance of adequate casualty protection by the bank's borrowers is an important matter which will be discussed in another article. Products-liability insurance protects a bank should it be sued because of injury caused by a "piggy bank" it distributes. Still other casualty losses may arise through the bank's sponsoring or encouraging employees' extra-curricular activities.

Need for Coordination

If two different insurance companies are providing casualty protection, on the bank's premises on the one hand and its automobiles on the other, it is important that both policies be endorsed to provide that the carriers will decide between themselves which one is responsible for a loss occurring due to an accident at the loading platform on the bank's premises.

It is not necessary for a bank to be insured on every possible fire and casualty risk. For some risks insurance is indispensable; for others, optional or marginal. What to insure against, and for how much, can be best determined by the bank after a thorough exploration of its exposure to loss and the insurance available. In a later article we shall discuss insurance control in the bank. Suffice it here to note that an adequate bank insurance program requires considerable study, careful planning, and frequent attention.

How Much for Bank Premises?

ED TYNG

THE past decade has probably been the greatest period of construction and remodeling in the history of American banking. A fair estimate would be that well over 1,000 banks a year have been building new quarters or making substantial changes in present buildings. The costs have been increasing and are probably running around \$150,000,000 annually

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WHAT a bank should invest in the premises in which it does business, or for that matter other real estate taken over in the normal course of business, has never been reduced to rules or formulas. In normal times this is one of the least regulated phases of banking.

Some banks feel it is preferable not to own but always to lease. Others feel that under certain conditions as much as 25% or 30% of capital funds may be put into buildings, other real estate, furniture, and equipment. A more conservative course is to keep the ratio of real estate investments of all kinds (except mortgages) equal to 10% of surplus and undivided profits and not to include capital.

Probably a majority sector of the banking business, based upon sampled opinion, will line up behind the idea that 10% to 15% of capital funds is not excessive. The same majority probably will say unhesitatingly that 50% is too much.

Federal and state laws, where they say anything about it, are somewhat negative. Section 24A of the Federal Reserve Act forbids a bank to invest all its capital in premises without prior approval of the Reserve Board. Several states have a like provision requiring, in

the case of such generous investments, approval by the state banking superintendent. Naturally, since few banks would consider putting all their capital into premises or other realty, requests for such approval are rare.

Federal and state bank examiners, however, have some definite ideas on how much is too much for premises and other realty investments. When they think it too much they so report, and in that case the matter comes on its merits before both the board of directors of the affected bank and the chief Federal or state supervisory authority. It may be said that, generally speaking, when premises and other real estate absorb 20% of capital funds, the examiners take a close look at the real estate and its relationship to other bank assets, as well as to the distribution and quality of those other assets. Examiners, naturally, have a disposition to go over lightly the premises account when times are good, write-offs small, and the quality of assets generally high. When reverse conditions exist, write-offs are often the order of business, and they can come at embarrassing times.

One Supervisor's Policy

One bank supervisor explains his policy this way:

"We take a good look at the distribution of the assets, the capital position, the quality of the assets and, if the total in real estate is above average, a good look at the

real estate itself. We study its marketability and income-producing features and study whether it is mortgaged or clear, whether it is properly maintained, and how soon it will become obsolete."

Another supervisor feels that it is the quantity and quality of other assets that is the main factor and that an arbitrary percentage cannot be made into a fair formula. A third supervisor notes that, for purposes of local prestige and sometimes because of an exaggerated view of the probable income to be derived from them, banks too easily are tempted to construct buildings out of all proportion to their own ability to carry them under abnormal conditions.

The president of a commercial bank who used to take pride in carrying all banking houses and real estate on his statement at \$1 (it never was a really large investment) finds that the \$1 formula fools nobody but the bank itself. Now he has a simple rule:

"Get together all the comparative figures of relative costs (1) if you owned and operated the building as a part of the bank, (2) if you leased it, or (3) if you bought it and then resold it to an insurance company under a lease-back agreement. If it is better to buy, and if you don't commit more than 10% of surplus and undivided profits into your whole real estate account, go ahead and buy. Then depreciate it as rapidly as possible, also writing off quickly any subse-

An Examination of the Trend, with an Indication of Pitfalls That May Be Encountered

quent outlays for alterations or modernization.

"Depreciate the furniture, equipment, and other contents (generally you can't depreciate land) according to the useful life of each article, even if this means a lot of separate depreciation accounts. Your rate of depreciation often will be faster than Internal Revenue schedules call for, but, if they object, make an argument about it and, if necessary, pay the tax involved. Steady and fairly rapid depreciation is much better than having to take a wallop all at once at some future time."

Effect of High Costs

Until recently, many banks have followed a policy of writing off alteration and modernization expense on quarters from current earnings, where possible, but the great expense now involved in such improvements impels some of them to add portions of the amount to premises investment, with depreciation spread over a period longer than a year or two. The alternative would be to report much smaller current earnings.

"These are rapidly changing times and advances in technology and new

materials have a tendency to end the useful life of a building through obsolescence long before the end of the span of years that a well built structure would last," remarks a leading bank president. "I would feel uncomfortable if we ever had much over 10% of capital funds tied up in bricks and mortar.

"For this is the way it works out. Suppose business turns down and you have a recession. Your loans are in large volume and your loss ratio rises. You write off what you think you should and the bank examiner may add a few more that he thinks should be written off in part or even in whole. Your chances for getting back the losses—and you always do get back most of them eventually—don't count. Anyhow, the losses come out of reserves and undivided profits, and sometimes even the sacred cow—surplus—has to be drawn on. Meanwhile if you have rented part of your building to others, poor business may drive some out and bring demands from others for cuts in the rent, a request probably justified by availability of space elsewhere at lower cost. The lower your reserves and capital funds fall through write-offs, the larger the premises account

looms as a percentage of capital funds. Finally the examiner says you'll have to do something about the premises and you know he can make you do it."

You may consider the views of this banker as too pessimistic. If you tell him so, he will recall the many stately bank buildings which became empty in the bank holiday of 1933 and the difficulty in using such specialized structures for other commercial purposes, together with the greater difficulty of remodeling them. It is for reasons such as these that some insurance companies, active in sale and lease-back deals, are not enthusiastic over buying buildings mainly adapted to banking purposes.

Use of Subsidiary

Today many banks segregate their buildings and other real estate in a subsidiary which may have one or more mortgages on the property, calling for a less substantial investment by the banks. Such subsidiaries show the investments only as a net equity ownership on the asset side of their statements. Old-fashioned bankers used to feel there was something improper about having a mort-

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Premises and Real Estate Investments of All Operating Banks

(Source: Federal Deposit Insurance Corp.)

At Dec. 31	Capital, Surplus, Undivided Profits and Reserves	Premises and Other RE Inv., Total	Of which		
			Premises, F & F	Indirect, equities, etc.	Other real estate
1950	\$13,915,863,000	\$1,377,238,000	\$1,241,035,000	\$103,161,000	\$33,042,000
1951	14,706,268,000	1,472,243,000	1,330,901,000	104,674,000	36,668,000
1952	15,453,988,000	1,583,768,000	1,442,139,000	100,566,000	41,063,000
1953	16,209,364,000	1,699,840,000	1,556,540,000	95,328,000	47,972,000
1954	17,364,244,000	1,846,424,000	1,706,099,000	104,180,000	36,145,000
1955	18,210,306,000	2,068,791,000	1,898,262,000	123,950,000	46,579,000
1956	19,350,452,000	2,305,774,000	2,111,378,000	133,696,000	60,700,000

Some Secret Service POINTERS for BANKS

AT BANKING's request, the United States Secret Service has compiled some pointers for bankers on counterfeit money and check and bond forgeries. These pointers, which are reproduced below, should be of value to bank officers and employees handling currency, checks, and securities. A separate section lists criminal provisions of the FDIC and certain other statutes with the enforcement of which the Secret Service is charged by law.

Counterfeiting

MANY counterfeit bills are not detected until deposited in banks. Tellers who detect counterfeits in deposits should ask the depositor to put his initials and date on the counterfeit, and the teller should also add his own initials and date, for future identification.

The bank should send counterfeits to the nearest Secret Service office, with all available information, or should telephone if the bank is in a city where a Secret Service office is located. The bank should telephone long distance, if the circumstances warrant.

Banks at irregular intervals receive 5" x 8" cards describing new counterfeit bills in circulation. Ex-

perience has shown that in some instances these cards go to a bank employee who does not realize that the cards should be kept on file and who, therefore, throws them away. Cards should not only be filed but should first be shown to all money handlers in the bank. These cards comprise the Secret Service "Counterfeit Note Index." They are furnished to banks without charge.

Some banks detect counterfeit coins in deposits and permit them to accumulate before notifying the Secret Service. Coins, with information as to the sources from which they were received, should be surrendered to the Secret Service promptly.

Banks should refrain from using photographs or other illustrations

of paper money in advertising. Such photographs or illustrations are unlawful. There is no prohibition against photographs of coins.

During fiscal 1956 the Secret Service seized \$518,086 in counterfeit money, \$445,044 of which was captured before it could be placed in circulation. Agents captured 18 plants for the manufacture of counterfeit bills and 16 plants for the production of counterfeit coins, and arrested 166 persons for violating the counterfeiting laws.

Check Forgery

DURING fiscal 1956 the Secret Service completed investigations of 30,619 forged Government checks, worth \$2,631,178, and arrested 2,881 check forgers. Forged Government checks are received for investigation at an average rate of 2,500 to 3,000 per month. As of June 30, 1956, the Secret Service had a backlog of 11,713 forged Government checks awaiting investigation.

Banks sometimes place stamped endorsements on Government checks in such a way that the stamp covers a part of the payee's written endorsement. This hampers the Secret Service agent who later obtains handwriting of suspected forgers for comparison with the original endorsement. The Secret Service urges bank personnel to avoid obscuring any part of the payee's endorsement by stamps or other markings.

Bank tellers, like storekeepers and cashiers, should insist upon proper identification before cashing Government checks for strangers. Government checks bearing forged endorsements are as worthless as any forged private or commercial check.

Social Security cards are worthless as identification in cashing checks. The Social Security Board, in cooperation with the Secret Service, prints on these cards the

(CONTINUED ON PAGE 149)

THE Secret Service publishes two illustrated booklets which are helpful to banks. One, "Know Your Money," deals with methods of detecting counterfeit bills and coins and has a section devoted to safeguards against forgery. The other, "The United States Secret Service—What It Is—What It Does," gives a history of the Secret Service and a description of its duties, and also carries information about fighting the forgery racket.

The booklets are for sale by the Superintendent of Documents, Government Printing Office, Washington 25, D. C., at 20 cents per copy. Limited quantities are available in Secret Service field offices and one or two will be supplied to a bank without charge upon request.

Canada Moves into an Election

CHARLES M. SHORT

CANADA is in the throes of a federal election campaign in which Canadian-American relations are quite important issues. The present Minister of External Affairs, Leslie Pearson—formerly Canadian Ambassador in Washington and well known there as well as in New York and other major centers South of the Border—has frankly stated that these relations have not been easy in the last six years, though stressing that Canada must continue to be a good neighbor of the United States.

Criticism has increased considerably over a series of actions by the Eisenhower Administration and those of certain members of Congress and the Senate which are widely regarded as detrimental to Canada. These actions include import quotas and difficult tariff regulations affecting some Canadian products, which may be extended if pending protectionist bills now before Congress are passed by that body.

Moreover, the tragic Norman case arising out of a Senate committee's charges that the late Canadian Ambassador to Egypt was once a Communist has caused resentment throughout Canada. However, the feeling in this case is not altogether against the American politicians concerned in it, for there is criticism also over the manner in which it was handled in Ottawa. Statements from the capital city of Canada were certainly contradictory, if not actually evasive.

The Electoral System

For the benefit of those unfamiliar with the Canadian electoral system, it might be noted that this resembles the British parliamentary system, though Canada has long been an independent and self-governing country. The usual term for a federal government is five years, but elec-

tions may be called before the statutory limit of office if the government desires to test public opinion on any issues or is defeated by a House of Commons vote on any major bill.

Four Parties in Contest

Four parties—Liberal, Progressive-Conservative, Socialist (CCF), and Social Credit—are contesting in this election. The Liberals, with an unbroken administration record of 22 years, held 168 of the 265 seats represented in the last House of Commons and are confident of reelection, for one reason because of their solid support in the Province of Quebec where the other parties have found little favor. The other old line party, Progressive-Conservative, is strongest in Ontario and during the last few years has elected Provincial legislatures in New Brunswick and Nova Scotia, so is apt to gain in central and eastern Canada outside Quebec. The Socialist and Social Credit parties have their greatest strength in the four western provinces, but, while they expect to have candidates in

most of the constituencies elsewhere, they are not likely to have much representation in the next Parliament from the central and eastern provinces.

Canada is fortunate in having well respected leaders of all four parties. The leader of the Liberals, Louis St. Laurent, is a former corporation lawyer who was pressed into political service during World War II at the sacrifice of his lucrative legal practise. He bears his father's French name, but his mother was of Irish descent and he is fluent in the English language. While he is 75 years old, he and his supporters claim that he is in good health and quite capable of reassuming the onerous duties of a Prime Minister.

John Diefenbaker, leader of the Progressive-Conservatives, is also a lawyer by profession but has been in political life for many years representing a Saskatchewan constituency. He is a forceful character, in his early 60s, and one of the ablest debaters ever in the Canadian Parliament. However, he assumed the leadership only about six months ago following the breakdown in health of his predecessor; therefore he has not had much time for reorganization of his party. Furthermore, he is not well known in Quebec, the province which holds the balance of political power, but, even if defeated, he will probably have a stronger following in Parliament than his party has had in the last 10 years.

M. J. Coldwell, the Socialist leader, is a former high school principal from Saskatchewan who favors nationalization of certain industries and of the commercial banks. He counts on considerable support from labor as well as from western farmers.

Solon Low, who heads the Social Credit Party, is also a former lawyer,

(CONTINUED ON PAGE 146)

Prime Minister St. Laurent



UNITED PRESS

Are We Selling Our Trust Services at a Loss?

A. M. McNICKLE

The author is vice-president of the Fidelity Trust Company, Pittsburgh, Pa.

"The increase in trust business from the end of World War II to the end of 1954 has been, in rough figures, from \$62-billion to about \$93-billion."¹

"National banks administering all-time high in trust assets of \$47,938,000,000."²

"Trust assets rise in five states."³

"Over the last 10 years, in spite of a growing volume of business . . . in many banks trust department net income . . . brought departments well into the red."⁴

"Seventy-five percent of our nation's trust departments are operating at a loss."⁵

"Federal Reserve survey reports 56 out of 107 eastern . . . trust departments . . . in the red. Profit is small in others."⁶

"Seven out of 10 large New York City banks make no profit on their trust departments."⁷

THE only conclusion that one can draw from these paradoxical quotations is that our trust departments may be selling themselves at a loss by developing too much unprofitable trust business.

An analysis of surveys and reports shows one very noticeable

trend: that over the years the big growth in trust department assets has been in the form of agency, custodian, and living trust accounts. The Comptroller of the Currency's 1954 report on national banks emphasizes the point. For, of the \$47,938,000,000 in accumulated assets held by national banks, more than \$39,000,000,000 was comprised of agency, custodian, and living trust accounts. By contrast, over the years something less than 10% of the accumulated assets of national banks has come from decedent estate business.

The Business We Lose

According to the latest report of the United States Treasury Department, there were more than 37,000 estates of \$60,000 and over that filed estate tax returns of \$7,400,000,000 in the year 1954. The report also points out that in 10 years, 1944 to 1954, estates filing returns have increased 2½ times in number and 2½ times in dollar value.

During the same 10-year period, however, trust company penetration of this vast and profitable decedent estate market has remained almost static.⁸ Trust company penetration has not kept pace with the market increase, even though the need for the services offered by the trust companies in settling estates as executor is greater today than at any time in the history of our country.

Why is it that banks and trust companies continue to get such a small percentage of this ever increasing profitable type of business? The answer could be that too many banks have been sending a boy to do

a man's work. To capture the decedent estate market takes a lot of good salesmanship. It will not always be the trust salesman who does the original selling. It may be the attorney, the insurance man, the accountant, the administrative trust officer, or another property owner. But somewhere during this process salesmanship must bring the case to a close. Your new businessmen will have to carry most of the burden of selling the decedent estate market. In order to do so effectively, not only must they have a knowledge of estate planning, but they must be well-trained salesmen, experienced in the art of influencing human behavior.

Most banks have been trying to develop their trust departments through the media of attorneys, underwriters, forums, and advertising without adequate support of personal selling. While this method of merchandising has attracted agency, custodian, and living trust business, without the support of personal selling it has apparently fallen far short of penetrating the profitable decedent estate market.

The growth history of trust departments of national banks seems to support the contention.

A Case for Salesmanship

In Massachusetts where a person can buy life insurance from the savings banks for a lower net cost than he can secure the same type of insurance from life insurance salesmen, the record should help to support the case for salesmanship. For, in 1954, in the Commonwealth of Massachusetts people, motivated, only by advertising, walked into the savings banks and purchased \$40,925,000 of ordinary life insurance. In the same year, however, the life insurance salesmen of Massachusetts sold to the public in ordinary insurance alone \$779,000,000 (almost 20 times as much), and at a greater net premium cost than it could have been purchased through

(CONTINUED ON PAGE 157)

¹ C. Rodgers Burgin, president, the New England Trust Company, Boston, Massachusetts, in *Trusts and Estates*, March 1956.

² "Fiduciary Activities of National Banks," *Trusts and Estates*, September 1955.

³ *Trusts and Estates*, April 1956.

⁴ C. Rodgers Burgin, president, The New England Trust Company, Boston, Massachusetts, in *Trusts and Estates*, March 1956.

⁵ *Trust Bulletin*, September 1952.

⁶ *Trusts and Estates*, July 1954.

⁷ *Trusts and Estates*, July 1954.

⁸ Pittsburgh 10-year survey.

Greatest advance in microfilming—



Just dial
your code—
and start
microfilming

Kodamatic Indexing!

New Recordak Reliant Microfilmer with Kodamatic Indexing lets you code items photographically right on the film—find any picture faster in your film reader.

So easy—just dial the desired code number on the new Recordak Reliant before you feed a batch of documents.

This simple step takes the hunt and peck out of subsequent film reference. With this completely new type of indexing your code designations are never out of sight . . . can be read easily, no matter how fast your film is traveling.

The secret: Unique coding lines are *photographed right on the film* between documents. These lines, which appear to run continuously when film is advanced, are read against a scale on the top (or side) of your film reader.

The girl on right, for example, has stopped film at items indexed "43." Line at left is at 40 . . . other line at 3.) Up to 100 different codings can be made and found in a flash!

Saves time every time films are viewed

Ever so much easier for your bookkeeping department to find checks, deposit slips, statements. Or your Transit Department to put its finger on proof machine sendings and direct letters. No end to the uses—wherever records are

filmed and referred to, you'll be dollars ahead with Kodamatic Indexing. (Just one of the exclusive features found in the new Reliant!)

But see for yourself! Have a new Recordak Reliant Microfilmer with *Kodamatic Indexing* installed in your bank on a 30-day Free Trial Basis. Absolutely no obligation to buy or rent. But act today—requests filled in order received.



"Recordak" is a trademark

.....MAIL COUPON TODAY.....

RECORDAK CORPORATION K-6
415 Madison Avenue, New York 17, N. Y.

Gentlemen: We are interested in free 30-day trial of new Recordak Reliant Microfilmer with Kodamatic Indexing.

Name _____ Position _____

Bank _____

Street _____

City _____ State _____

.....

RECORDAK

(Subsidiary of Eastman Kodak Company)
originator of modern microfilming—
now in its 30th year

Service Charges on Business Accounts

JAMES P. FURNISS

The Diary of a New Business Development Man Shows How Company Treasurers Feel About This Subject

Over the past year or more, treasurers faced with tight money and their own companies' increased sales have had to reduce bank cash to the point where, more and more, they have encountered bank service charges. Their reactions to this experience are the subject of this article, drawn from the notebook of an officer whose job is to stay in touch with these men in the Northeast.

The officer is James P. Furniss, vice-president in charge of the New York Service Office of the Citizens & Southern National Bank, Atlanta. His report, reflecting attitudes of treasurers rather than the attitude of his bank, may help banks across the country mold their own policies.

A COMMON observation has been the range of prices being asked by banks for performing the same services. Typical comments:

"Why should draft collection cost 25% more in one state than it does right next door?"

* * *

"I don't understand how one bank charges us a flat price for handling our check collection regardless of our activity or balances."

* * *

"We have a pretty good idea what bank service costs in different sections of the country. When one gets way out of line, we ask them about it. If their answer is unsatisfactory, we try to reduce activity. We almost never will increase balances to offset our charges. Doing that would be unfair to other banks where we maintain similar balances and activity but are not required to pay any charge."

* * *

"Most smaller banks don't know their own costs. There are a few large ones, too, that base their charges not on their own costs but on what their banking neighbors are charging. We'd be out of business in no time if we did business that way. It worries us that certain banks may be headed for trouble for the same reason."

A Bank Should Be Paid

Generally speaking, no treasurer was anxious to get something for nothing. There seemed to be universal agreement that a bank should be adequately compensated for its work. In some cases, treasurers went even further:

"I cannot understand why so many banks operate on the theory that they merely should recover their costs when an account is analyzed. They ought to include a profit in their charges. We should know there is a profit included, though. We don't

mind paying a bank a reasonable profit at all."

* * *

"Free services worry me. If I'm not using all the bank's services; then perhaps I'm paying the way for someone who is."

* * *

"Banks should figure the costs for each of the professional services they perform. In this way, I will pay only for those our firm uses."

Index of Money Value

One big quarrel with banks concerned the earnings allowance they give on loanable balances:

"We do business with banks where the earnings allowances range from 1.5% to an allowance tied to the current Federal Reserve rediscount rate. It seems to us that the fairest indication of the value of money is some index such as that rate."

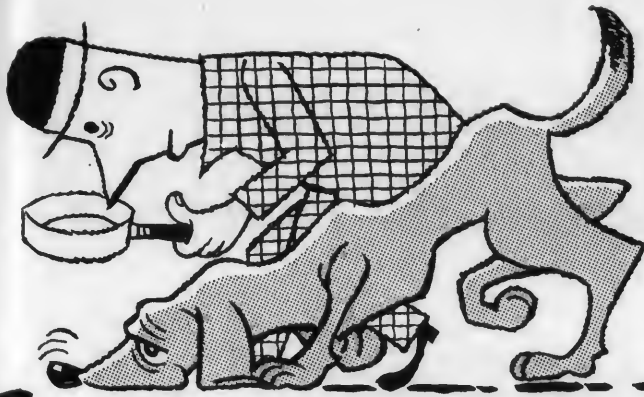
* * *

"When a bank's earnings allowance is below 2.5%, we can't help having our tongues in our cheeks when we hear it complain that it isn't making money on our account."

* * *

"A couple of times, banks to which we have complained about low earnings allowances have agreed to make special agreements with us that will favor us over other customers. They said they didn't want to upset their charge schedule with other customers."

(CONTINUED ON PAGE 160)



Looking for
more customers?

You're on the right trail when you display
the emblem of Christmas Club
a Corporation!



When you provide Christmas Club service, your best prospects for other banking services are right under your nose!

Nearly one-half (46.6%) of all Christmas Club members are between the ages of 25 and 44—far in excess of the population ratio (28.5%) of this group. With their growing families, these young Americans need savings programs, loans, safe deposit boxes and financial advice. They are your best market today—and tomorrow.

You can bring them through your doors with Christmas Club. Why not ask to have a staff member of Christmas Club a Corporation call and give you the complete story? There's no obligation, of course.

A nation-wide survey made by Christmas Club a Corporation shows that Christmas Club members are concentrated in the young family group

Age Bracket	Proportion of Total Population In Age Bracket	Proportion of Christmas Club Membership In Age Bracket
Under 15 Years	29.4%	7.8%
15-24 "	13.3	11.0
25-34 "	14.6	21.3
35-44 "	13.9	25.3
45-54 "	11.5	18.0
55-64 "	8.8	10.9
Over 65 "	8.5	5.7
	100.0	100.0



Christmas Club
a Corporation

Founded by Herbert F. Rawll

230 PARK AVE., NEW YORK 17, N. Y.

Builds Character • Builds Savings
Builds Business For Financial Institutions

the day Cliff Kimsey caught the mail train . . .



. . . started out like any other day in Cornelia, Ga. (pop. 2,424), where Cliff is a leading banker.

. . . until Cliff received that small, but nonetheless urgent request: What could he do about getting \$25 to a student in London before the coming weekend?

Cliff could—and did—plenty. He wrote his bank's correspondent, The Hanover, giving instructions to send the \$25.

Then he made certain the letter would be on the next train by driving to the station and sprinting the last 100 yards on foot to catch the mail car as it pulled out of Cornelia.

Sprinting is not a banker qualification, but *personal service* is, so it was routine for Cliff to put extra effort into a job that called for it.

The letter reached The Hanover in plenty of time, and the student in London had his \$25 when he needed it.

As Cliff's customer told us: ". . . it's just a bit of a story about a small town banker's personal service . . . Cliff Kimsey had as much pride in getting that letter off to you as if he had made \$1,000. Funny world."



THE HANOVER BANK

Member Federal Deposit Insurance Corporation

HANOVER . . . THE BANK THAT'S PROUD OF ITS CORRESPONDENTS

BANKING'S Business Building Bulletin

How Effective Is Bank Advertising?

THIS IS a fascinating question. It's a practical question, too. Other ways of putting it might be:

Are banks getting full mileage out of their advertising and public relations dollars?

Are they getting their money's worth?

Some are and some are not.

A great deal has been done to test the effectiveness of advertising, but chiefly by industry and not by banks.

\$100,000,000 DESERVES RESPECT

With banks spending more than \$100,000,000 yearly for selling services and building goodwill, isn't it time they gave more thought to testing results?

A few banks have been testing their promotional programs in various ways and with considerable success, but these are mainly the larger institutions with agency help.

INDUSTRY'S EXPERIENCE

In spite of the work already done in the industrial field the whole science of testing results is still in a pioneering stage and the subject of wide differences of opinion. For some years the National Industrial Advertising Association has had a Committee on Advertising Effectiveness which has explored the matter and developed some valuable experience and background. Still, they are a long way from agreeing on a satisfactory and practical method of measuring the effectiveness of either single ads or campaigns.

The methods used by industry are mainly these:

1. Pretesting. This is done by preparing five or six rough layouts having the same basic sales objective but each expressing it differently. One might present a case history or testimonial. Another would accent various product advantages. Another would be hung on a headlined question, and another would be a promise of something, and so on through the gamut of advertising devices.

For good pretesting there should be a "control" ad, which has been used with known results.

These rough layouts are then tried out on the people you want to reach either by interview or mail.

A number of safeguards are used to insure the accuracy of the tests.

2. "Recall" surveys. These may be aided or unaided recall. That is to say the person being polled is either shown the ad first or asked to remember an ad without being reminded.

These surveys are usually made by agencies organ-

ized for the purpose, or by advertising agencies having their own departments for surveying purposes. They show how your ads are being read; which techniques are more effective; how your ads compare with those of competitors; and many other things.

Recall surveys can be made by mail but the difficulty is that the recipients who have not seen the ads are inclined to discard the whole questionnaire.

3. Coupons, reply cards, and letters. These tests provide tangible measures of reader interest, but convincing evidence exists to show there is no dependable relationship between the number of such returns and the effective results of the ad.

An example is the "send for something" type of coupon. If the item is valuable or attractive a high rate of return can be realized whereas another ad offering, say, a booklet, might get far fewer responses but they would be from better prospects.

4. Split-run tests. Here the method is to run one ad in half an edition and a different ad in the other half. This is obviously a good way to get a direct comparison on such things as layout, illustrations, copy, color, and coupons.

5. Brand recognition. This is a method that is more suitable for industry than for service organizations such as banks, although some aspects could probably be adapted to bank use.

SURVEYS BY PUBLISHERS

Other important studies have been made by the Bureau of Advertising of the American Newspaper Publishers Association showing the effects of position, size of space, season, and current events.

One of these studies concerns bank advertising and was done originally for the benefit of savings and loan institutions which wanted to improve their own advertising by examining that of their competitors.

The objectives were to discover basic principles which made one ad better than another.

Among the findings was that advertising of bank loans generally falls below consumer advertising in readership because, while everyone eats and wears clothes, only a relatively few are interested in borrowing money. Consequently bank ads featuring the widely used services of checking and saving attracted much more attention than loans, trust, and some of the specialized services.

It was discovered that readership generally increased with the size of space and the size of illustration used.

William R. Kuhns



Public Relations Information



BANK PUBLIC RELATIONS 'ANSWERS IN A NUTSHELL'

THE MANUALS produced by the Public Relations Council of the American Bankers Association have become a popular part of banking's store of knowledge, an authoritative source of "answers in a nutshell" for bank management and for bank personnel on all aspects of public relations and business development.

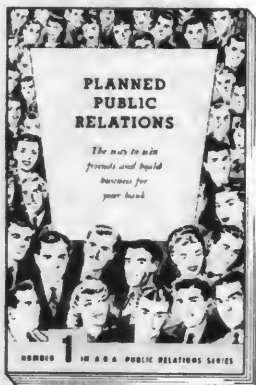
Council manuals average about 28 pages in length and are either 5½" x 8½" or 6" x 9" in size. Based on extensive research, colorfully illustrated, easy to read and easy to handle, they are written in concise style and purposely confined to practical and essential subject elements.

Examples, case studies, check lists, quotations, recommended "minimum programs," sources and aids for additional information and assistance are

featured in each manual. The emphasis is on *how* to do it and *where* to get help. Copies are available to members at 85 cents apiece.

These manuals can be useful to every officer and every staff member in winning friends and customers for the bank. A complete file of the whole series is an investment for better bank performance, improved bank communication and—as a logical result—better bank public relations.

The Public Relations Council "Manual Service" is a continuing one. At present there are 14 different subjects in the series. Four others are in various stages of preparation. They include *Bank Shareholder Relations*, *Bank Human Relations*, *Bank Market Research*, and *The Banker Writes*, a sequel to popular Manual No. 14 on *The Banker Speaks*.



• **Planned Public Relations.** Manual No. 1. Fundamental principles of bank public relations, including meaning, importance and basic facts. Contents include practical steps to better bank public relations planning.



• **There's News in Your Bank.** Manual No. 2. Guide for effective bank publicity and press relations. Contents include where to find news . . . how to make news . . . preparation of news releases . . . radio and TV publicity.



• **Your Bank's Advertising.** Manual No. 3. Planned approach to bank advertising. Contents include automatic "ad-analyzer" . . . formula for effective newspaper advertising . . . hints for direct-mail advertising . . . guide to display advertising . . . suggestions for using other bank media.



• **Personnel Relations.** Manual No. 4. Guide for bank personnel management. Contents include "18 keys" to personnel relations: hiring, testing, recording, training, educating, informing, placating, controlling, evaluating, rating, promoting, paying, protecting, assisting, inspiring, retaining, releasing, organizing.

Aids and Sources for Your Own Use



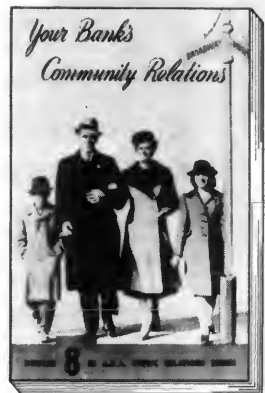
• **Your Bank's Relations with Schools.** Manual No. 5. Concrete program for mutually advantageous bank relations with schools. Contents include suggestions for good bank-school relations . . . teaching aids . . . step-by-step guide to bank tours . . . other school activities.

• **Customer Relations.** Manual No. 6. Workable plan for building profitable bank relations with customers. Contents include benefits of "planned" customer relations . . . staff conferences and training . . . suggestions for conference leaders . . . guide to course for staff members.



• **Building for the Future with Farm Youth.** Manual No. 7. Bank obligations and opportunities for working with rural youth. Contents include facts about rural youth organizations . . . program planning . . . cooperating with civic groups . . . financing youth projects.

• **Your Bank's Community Relations.** Manual No. 8. Practical guideposts for greater bank service to the community. Contents include development of "minimum" community relations program . . . cooperating in programs of others . . . working with community organizations . . . handling charitable donations . . . participating in local politics.



• **Finance Forums for Women.** Manual No. 9. Bank-sponsored forums for women. Contents include planning the forum . . . selecting subjects . . . obtaining speakers . . . publicizing the forum . . . handling meetings . . . following through . . . take-home literature.



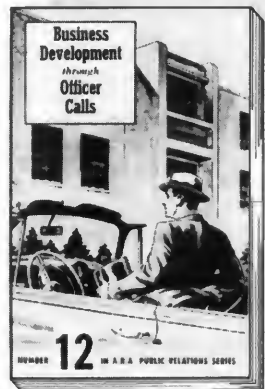
• **Building Savings Deposits.** Manual No. 10. Constructive suggestions and aids for expanding bank savings business. Contents include need for bank thrift leadership . . . competition . . . perspective on rate . . . bank advantages and appeals . . . training the staff as a selling team . . . advertising and promotion . . . working with youth . . . suggested savings development program.



• **Helping Farm and Ranch Families Succeed.** Manual No. 11. Ideas, suggestions and activities for broadened bank service to farmers and ranchers. Contents include planned banker-farmer relations . . . bank advantages to farm families . . . bank and state association agricultural activities . . . the A.B.A. program.



• **Business Development Through Officer Calls.** Manual No. 12. Answers to 18 specific questions on bank business development through personal calls. Contents include call program organization, introduction and participation . . . sustaining officer interest . . . selecting and assigning accounts . . . allotting time for calls . . . sales manuals . . . call report . . . measuring effectiveness.



(continued on page 69)



Public Relations Information

Banking Information to the Public



IN ADDITION to providing information and aids to inquiring bankers and bank groups, the A.B.A. Public Relations Council also answers direct public requests with banking information and materials. For example, during the year ending March 1, 1957, the Council distributed 12,423 copies of 12 publica-

tions to individuals, business organizations and schools. This is another indication of the A.B.A. "national umbrella" at work for public education—daily transmission and interpretation of essential banking information directly to the public.

Publications	Business			Totals
	Individuals	Groups	Schools	
<i>Bank Services for You</i>	1,392	318	745	2,455
<i>Money and Banking in our Everyday Living</i>	367	107	838	1,312
<i>Opportunities in Banking</i>	401	18	1,613	2,032
<i>Should Your Child Be a Banker?</i>	401	18	1,613	2,032
<i>Peter Penny and His Magic Dollar</i>	66	—	208	274
<i>Trust Services for You</i>	42	6	131	179
<i>You, Money and Prosperity</i>	241	49	608	898
<i>American Banking in Action</i>	134	9	438	581
<i>The Woman and Her Bank</i>	286	4	344	634
<i>Banking from the Stone Age to the</i>				
<i>Atomic Age</i>	584	68	444	1,096
<i>Personal Money Management</i>	42	—	—	42
<i>Basic Sources of Banking Information</i>	286	41	561	888

A.B.A. Films in Action

• A.B.A. films are sponsored by individual banks, A.I.B. Chapters, clearinghouse organizations, county and state associations. In addition, individual banks sometimes form groups of two, three or more in a community for cooperative sponsorship of A.B.A. films. Recently, four neighboring banks in Indiana purchased the entire series of A.B.A. films for presentation to the schools in their county. This is an example of "group helping group" through the A.B.A. film program.

• A.B.A. films don't gather dust after they have been donated by banks or bank groups to schools or school groups. Here are two examples:

1. From December 1, 1956 to January 31, 1957—a period of two months—the Audio Visual Department of the San Bernardino City Schools in California reported 66 showings of seven A.B.A. films to 2,808 students.
2. During January 1957, the Visual Aids Department of the Board of Education in Toledo, Ohio, reported 86 showings of five A.B.A. films to 5,290 students.

A descriptive brochure on A.B.A. films may be obtained by members from Public Relations Council, American Bankers Association, 12 East 36 Street, New York 16, New York.

Aids and Sources for Your Own Use

A. B. A. PROGRAM AT WORK: TV AND RADIO

• **Future Unlimited Promoted.** The Savings Banks Association of New Hampshire and The Savings Banks Association of the State of New York recently promoted showings of the A.B.A. banking career film, **FUTURE UNLIMITED**, on WMUR-TV in New Hampshire and WRCA-TV in New York City. The New Hampshire Association distributed flyers and announced the showing in mailings to member banks and to headmasters or principals of local schools. The flyers were distributed by local banks. The Savings Banks Association announced the showing by sending a special bulletin to its members in the New York City viewing area.

• **Future Unlimited Shown.** Television stations throughout the country continue to schedule showings of **FUTURE UNLIMITED**. In addition, prints of the film are being purchased by A.B.A. members for direct sponsorship in local communities. It is estimated that the more than 50 showings of **FUTURE UNLIMITED** which have already taken place in major cities represent free television time for banking worth about \$1 million.

• **A.B.A. TV Release.** The A.B.A. suggested program script and visual aids for television stations on the subject of checks and checking accounts is "doing quite well" according to the J. Walter Thompson Company. Over 50 stations have used or will use the material. More than half of these have arranged or plan to arrange for a local banker interview on the same program. Here are two typical reactions from TV commentators:

"Hooray! Will welcome any other ideas with 'meat' in them." *KSW-TV, Roswell, New Mexico.*

"Timely." *KVTV, Sioux City, Iowa.*



In the photograph, Mr. Welman (left) is interviewed by Paul Jahnsan, editor of *Prairie Farmer Magazine*, on Chicago Radio Station WLS as part of its "Dinner Bell Show" for rural listeners through the midwest. Earlier Mr. Welman delivered the keynote speech to 1,500 delegates attending the A.B.A. National Instalment Credit Conference in Chicago's Canrad Hilton Hotel.

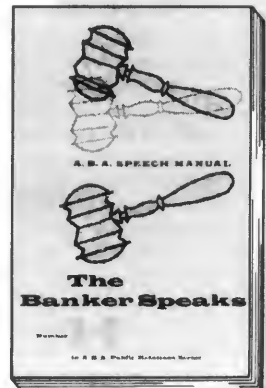
• **Radio Interviews.** Joseph C. Welman, A.B.A. vice president and president of the Bank of Kennett in Kennett, Missouri, recently appeared on two Chicago radio stations for interviews arranged through the A.B.A. national public relations program. He covered the farm credit situation and instalment lending picture on Station WLS and discussed career opportunities for young men and women in banking on Station WIND. The latter interview was also rebroadcast on Chicago FM Station WBEZ and scheduled for playbacks at career conferences and teachers' meetings throughout the year.

(continued from page 67)



• **Television for Banks.** Manual No. 13. Television facts and ideas for banks. Contents include an "auditor's view" of television . . . what banks are doing . . . what television can do for "your bank" . . . three kinds of television . . . formats for banks . . . how your station can help . . . the "ideal" production . . . check your program's value.

• **The Banker Speaks.** Manual No. 14. Helping bankers make more and better talks. Contents include fundamental values of public speaking . . . "windows" and "steps" to your speech . . . how to organize a speech . . . speech ideas . . . how to deliver a speech . . . speaking on special occasions . . . getting speaking assignments.



Direct Mail Tailor-Made for Banks

Huntly H. Geddes

The author is director of Research, R. L. Polk & Co.

THE unique feature of mail advertising is that it is you-to-me. It is personal. There's a feeling of intimacy even with a marble-walled bank which puts your name on a piece of mail. And that is not just one man's opinion. Enough people have told us so in our research studies of direct mail.

There is an atmosphere of the confidential about a piece of mail, and that carries over into mail advertising. That bankers know it is evidenced by the fact that the A.B.A. survey of bank advertising lists direct mail as the second largest medium used by banks in 1956. (It was third in 1951.) That makes sense—banking services are personal and confidential. Does your mailed advertising make full use of the medium's personal and confidential atmosphere?



Did you know that people like to receive mail advertising? About 85% of the people we ask tell us so. Did you know that they read it more thoroughly than any other form of advertising?

It must have cost about \$40,000 in research money to make us understand a very simple, really obvious, truth—people have to see and identify every piece of mail; they may discard it but not until they have identified it. For some forms of advertising, identification is the whole achievement. Did you know that almost any piece of mailed advertising will be recalled for at least two weeks by well over 50% of the recipients?

The difference in the average recall of "any part" of a mailed advertisement and that of the outside of the piece is only 6 percentage points. In other words, if the total who recall the eye-catching outside of a piece is 54, the number who, on further examination, will recall "some part or other" will go up only to 60.



People remember pictures—90% or more of those who recall an ad at all will recall the pictures. But they will also read the small print—not 90%, but probably 50%.

Did you know that women—housewives—are great readers of mail? They may not bother to read your bank's newspaper advertising but they will read your mail. The household mail is first seen by women in 75% of the cases. Incidentally, in about 75% of the cases the women habitually set aside all mail for others to see; in the other 25% they will set it aside if they think someone else in the family may be interested.



Families, on the average, don't get much mail—usually not more than one piece a day, and not nearly one piece of mailed advertising per day. That is why 25%, or more if it is good, of the mailed advertising will come in for some family conversation, even in the upper-medium income classes.

Another important fact which applies with special force to mail advertising is that people who are interested will read and recall to a greater degree than uninterested people. We see startling examples of that in some of our automobile studies where we have cases of 90% recall among owners of the make advertised. Perhaps the measure of extra recall as the result of product interest may be at least one-third more. If the average recall is, for example, 60, the recall by those having a prior interest in the product or service may be 80 or more.

Who are the "right people" for you? No business should have less trouble in finding out than a bank.

BANKING's survey, conducted by J. Walter Thompson Company, and reported last June, listed about two dozen services which people could name as being offered by banks.

From the survey figures it appears that the average number of services used per family is just under two, and only 3.7% use no banking service. Where in the world do the 80% who have checking accounts go for savings, for loans, for advice on investments, money orders, and 20 or 30 other banking services, most of which are used by less than 10% of the people surveyed?

Here we have a list of names and addresses of 80 out of every 100 families, every one of whom must use several other services which banks could render! Why don't they use them? Maybe they were never asked to.

ADS and AIDS that sell SERVICES



BLUE RIBBON SAVINGS ADS

"There can be no more substantial testimony to the value of a product or service," said a business leader recently, "than use." By their use of the advertisements illustrated here, banks, in effect, have "voted" them Blue Ribbon Quality. These savings ads were among the top 50 chosen by subscribers to the A.B.A. Advertising Department's "Proofs-in-Advance" plan of newspaper advertising during 1955 and 1956. Now your bank (if there is no Proofs-in-Advance plan subscriber in your community) can capitalize on the tested effectiveness of these eye-catching advertisements. Now you can publish them in your own newspaper, over your own bank's signature, to attract more savings deposits. You will have exclusive use of the series in your community — a feature that makes it as much your own locally as if it were prepared entirely by or for your bank. The premium ads making up this group offer a variety of savings appeals and illustrative techniques — a "Blue Ribbon package" of savings advertising far you; extra ammunition in the "Saver's Friend" program. Here advertisements are shown in reduced size: Mats actually measure 2 columns x 6".

START SAVING

START LIVING

Don't sit back and wish you had the good things of life. Do something about it now.

START SAVING HERE; THERE'S NOTHING QUITE LIKE MONEY IN THE BANK!

Still true as ever
Now, while the sun
is shining for you

THERE IS NOTHING QUITE LIKE MONEY IN THE BANK

is the time to lay something by for "stormy weather."
Start saving with us.

BANK

your savings

Enjoy the advantages of bank safety for your funds — and bank convenience for yourself, with so many financial services available under one roof. Build your cash reserve fund for emergencies, opportunities, and future satisfactions in a bank savings account with us!

BANK SAFEGUARDS

FOR YOUR SAVINGS:

Sound management; a conservative investment policy; regular examinations and close government supervision; complete physical safeguards; and deposit insurance (up to \$10,000 for each depositor) by the Federal Deposit Insurance Corporation. The list adds up to a reassuring picture of safety for your savings dollars, doesn't it?

But note well: You can enjoy the benefit of all these safeguards only at a bank. Start saving regularly — in a bank account with us!

YOU CAN BE A "WISE OLD OWL"...

... EVEN THOUGH YOU'RE YOUNG IN YEARS!

Smart savers in every age bracket bank their savings — for safety, convenience, and pleasant dealings. Start saving regularly with us.

THERE'S NOTHING QUITE LIKE MONEY IN THE BANK!

"I HAVEN'T A DOLLAR TO PUT MY SAVINGS IN!"

"DON'T BE A BARE IN THE WOODS! TODAY, SMART FOLKS BANK THEIR SAVINGS!"

That way, they enjoy the matchless benefits of safety, plus the convenience of many other bank services — all under one roof. Come in and open your bank account with us.

THERE'S NOTHING QUITE LIKE MONEY IN THE BANK!

A book to remember!

Your savings account pamphlet is a book to remember — every payday. Saving a small part of your income systematically will help you write your own success story. Plan your future wisely by saving regularly at our bank.

THERE'S NOTHING QUITE LIKE MONEY IN THE BANK!

Here are two of someone's good reasons for saving. How many reasons have you? We cordially invite your savings account!

Whatever happened to that \$39,000?

This man has averaged \$75 per week in salary over the past 10 years — and hasn't a single penny to show for it.

Sure, the cost of living has been high, but if our friend had banked as little as \$2 out of each week's paycheck, he'd have more than \$1,000 saved today.

IT'S REGULAR SAVINGS THAT COUNTS. YOU KNOW! TRY IT, WITH US — SEE YOUR BACKLOG GROW!

What's your Aim?

Open that bank savings account with us now, add to the balance every chance you get, "save" smart!

'I BEG YOUR PARDON!

My parents never let a payday go by without banking something for my future!"

COULD YOUR BABY TRUTHFULLY SAY THE SAME THING? BACK BABY UP; START SAVING SYSTEMATICALLY, AT

YOUR SAVINGS WILL "SNOWBALL" TOO —

once you acquire the thrift habit! Start the ball rolling by opening a savings account with us next payday, and see how your balance grows as you add to it systematically, every payday.

Savings series #BRS consists of 12 ads, complete in mat form, ready for the newspaper to add your bank's signature. Total cost is \$11.75. To order, write the Advertising Department, American Bankers Association, 12 East 36th St., New York 16, N. Y.

MORE SAVINGS MATERIAL FOR THE A.B.A.

**HOW MUCH
MONEY
WOULD YOU
HAVE SAVED IF...**



Novel 6-page Folder Dramatizes the "Growth Potential" of Regular Saving

Briefly announced in these pages last month, this folder is so unusual that we present it again, this time in somewhat greater detail.

It's a multi-million-dollar question (see at left below) that this folder poses—as the reader discovers when he or she works out the answer, or turns to it . . . "It's an interesting exercise in mathematics"—so the folder itself reads—"and, although no one can save that much money in so short a time, it illustrates one point: Money set aside regularly grows and grows." What better attention-getting device could there be, in these days of quizzes, than a quiz-type question? And what more compelling demonstration of the power of regular saving than the staggering answer to the question under advisement? The folder seizes upon its dual advantage of interest and impact to urge a course of regular saving—at your bank.

(Colors: Azure blue and black.)



IF YOU COULD BANK
A PENNY on the first day
of the month and double
the amount of your deposit
every day for 30 days, how
much money would you
have saved?

WHAT IS YOUR ESTIMATE?

Lift this page and
find the answer

WHY A BANK SAVINGS ACCOUNT IS BEST—

SAFETY: At the bank, your savings are protected—by a combination of safety factors offered nowhere else.

AVAILABILITY: At the bank, your savings are handy—really ready cash that you can count on when needed.

EARNINGS: At the bank, your savings earn interest—without your assuming any of the risks of investment.

SERVICE: At the bank, you can tend to other banking needs—under the same roof, at the same time you save.

HELPFULNESS: At the bank, you can draw on varied experience—for help with money matters of many kinds.



*The BANK is the
Saver's Best Friend*

BANK NAME GOES HERE

The Prices for This Folder Include:

- Printing of Your Bank Name and Address
- Folding • Packaging • Delivery to Your Bank

Under 1000 . . . \$ 2.80 per 1000	5000 to 7499 . . . \$22.00 per 1000
1000 to 2499 . . . \$23.50 per 1000	7500 to 9999 . . . \$21.50 per 1000
2500 to 4999 . . . \$22.75 per 1000	10000 to 20000 . . . \$21.00 per 1000
Over 20,000, prices on request	

Copyright 1957, American Bankers Association—57-9

Cover "teases" with partial question; inside cover, giving complete question, faces fold-over page that hides answer. Readers may well keep this folder to show their friends.

Back cover hammers home the principal advantages of bank saving. Peter Penny links piece to "Saver's Friend" program.

that sell SERVICES

A. PROMOTIONAL PROGRAM "The BANK is the Saver's Best Friend"

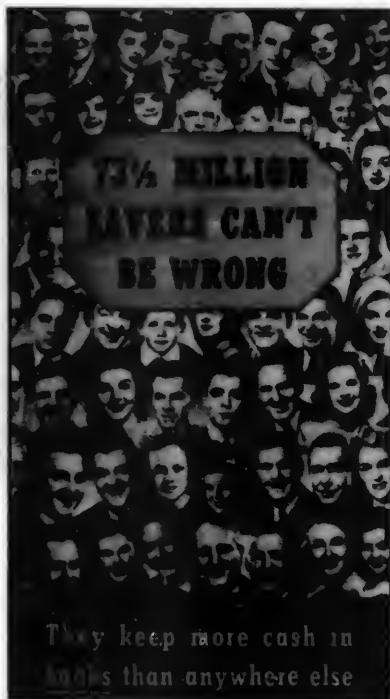


(Colors: Orange & brown.)

Savings folder at left, for distribution to checking depositors, features the theme "Buy future security on the installment plan." Included is a form, to be returned to your bank, authorizing transfer of specified "payments" from the signer's checking account to a savings account.

NEW SAVINGS FIGURES

You may have seen, even used, an earlier edition of the effective piece at right, stressing the advantages of saving at a bank. The brand-new edition cannot help but be even more effective — featuring as it does the latest impressive figures on bank savers and bank savings.



(Colors: Terra cotta, black.)

Two Direct Mail Folders on Loans



(Colors: Turquoise and black.)

New, attractive 6-page Home Improvement Loan folder (left) cites typical modernization and maintenance situations in which credit may well be useful. It clearly states the advantages of your bank's loan plan; invites homeowner to discuss financing with you. On back page is check-list of improvement needs.

Auto Loan folder (right) adopts a "different" approach. Cover motif of a crystal ball is carried over into text message, which urges readers to "look into" your bank's low-cost financing plan. Briefly, simply, forcefully, copy advances logical reasons for doing so. For samples (giving quantity prices) of any or all pieces shown on this and facing page, plus order forms, write the A.B.A. Advertising Dept.



(Colors: Royal blue and red.)

ADS and AIDS that sell SERVICES

New SPOT AD series on Instalment Loans

BUYING A NEW CAR?

Finance it at low cost through us!

NEED TO BORROW?

Think of our bank first, for economy!

NEED MORE HOUSEROOM?

A loan from us can help you remodel!

MONDAY: FUN DAY?

Ask us about financing laundry equipment!

HOME NEED REPAIRS?

See us about economical financing!

Here's a series of 12 Spot Ads expressly prepared for "minimum-space" newspaper advertising. Shown in a slightly reduced size, the ads actually measure 1 column x 2". With distinctive rule borders, headlines in bold type, and effective use of white space, they command attention. Indeed, on the count of design alone they should achieve greater readership than many larger ads of other advertisers. The series, as you can see, covers Auto Loans, Household Appliance Loans, Home Improvement Loans, Personal Loans, and Life Insurance Loans. In each ad, the provocative headline reaches out for a special audience of prospective borrowers . . . succinct text wastes no words in extending an invitation to use a loan service of your bank. Instalment Loan series #3-IL, complete in mat form, is available from the A.B.A. Advertising Department at a total cost of \$6.00. An order form will be sent to you upon request.

WANT CASH QUICKLY?

Phone us now about a life insurance loan!

FURTHER EDUCATION?

We extend credit to help meet costs!

ILLS BRING BIG BILLS?

Meet 'em now; repay later: Borrow here!

A MODERN KITCHEN?

Get facts on a money-saving appliance loan!

PAINTING THE HOUSE?

Get a loan from us, to spread out the expense!

MR. STORK EXPECTED?

See us about the credit needs involved!

FOUND A DREAM CAR?

Save money on the financing, with us!

Your A.B.A. Advertising Department continuously plans and prepares special series of newspaper mats, on many subjects. Scores of folders and blotters — on all popular banking services, as well as trust subjects — have also been prepared; and new direct mail material is produced monthly. A note from you specifying subjects and media (ad series, direct mail, or both) in which you are interested will promptly bring samples, and/or descriptive matter, accompanied by suitable order forms.

IDEAS... THAT HAVE WORKED

by John L. Cooley



Walk-up Windows in Bank Vestibule Ease Traffic, Broaden Service

YANKEE ingenuity provides a new twist to a popular idea. Two walk-up windows have been installed in the entrance vestibule wall of The Middletown (Conn.) Savings Bank, much to everybody's satisfaction—especially the customers'.

At 3 P.M. the doors from the 12-foot-square vestibule into the lobby are locked, thus permitting normal "after hours" work to proceed. The street doors remain open until 5 o'clock. Thus, customers using the windows are protected from the weather and at the same time enjoy some privacy.

When the facility was introduced the bank conducted a "Name Our New Baby" contest. More than 1,100 entries were received; "Bank 'til 5" was the winner. Most of the contestants built their slogans around the ideas of "added service," "convenience," and "extra hours." It was interesting, too, that many members of the faculty at Wesleyan University, in Middletown, took part in the contest.

Use of the new windows by the public has been "phenomenal," the bank reports, and has noticeably eased the pressure on the regular Friday evening hours.

"What we are trying to provide on Middletown's Main Street," says President Howard B. Smith, "is the same type of service metropolitan banks are furnishing in their subway and railway terminal facilities." Middletown is fast becoming a "bedroom town" for the Greater Hartford industrial area, and there is an increasingly larger proportion of employment outside the bank's city.

All regular savings and club services are available at the window, and mortgage payments are accepted.

P.S. The installation cost \$1,600.

Bank Distributes Trash Bags

FIRST BANK & Trust Company of Utica, N. Y. helped the city's anti-litter campaign by giving trash bags to customers using the bank's parking lots. First's auditor, Earl E. Healey, was chairman of the drive.

The bags, about 12 inches long, came five to the package. Designed to be hung in the car for storing refuse that otherwise would be thrown out the window, they were imprinted "Keep America Clean and Beautiful," "Use this litterbag for trash."

The bank's message was: "It's smart to finance your car through a bank" and a suggestion to inquire about its time plan financing."



This is one of the two popular walk-up windows in the Connecticut bank's vestibule.



A customer of First Bank & Trust Company, Utica, N. Y., gets a "litter bag" from the bank's parking lot attendant.

IDEAS THAT HAVE WORKED

A Safe Deposit Box Idea That's Working

A NEW type of remittance envelope for payment of safe deposit box rentals is proving successful at the Republic National Bank of Dallas. It was designed by Vice-president George J. Watts, in charge of public relations and advertising.

In addition to providing a standardized billing form, the four-part piece includes an addressed envelope for returning payment, and a check form and permanent record for "stubbing" the check (both perforated for easy detachment). The reverse of the check stub portion, retained by the user, carries an advertising message calling attention to the items that should be protected in a safe deposit box.

A spot check shows that of all box customers who mailed their rental fees during a recent month, 26.3% used the check form provided.

NAME OF YOUR BANK _____ DATE _____

FOR PAYMENT OF SAFE DEPOSIT BOX RENT YOUR BANK SIGNATURE _____

Some of the precious valuables that need the protection of a SAFE DEPOSIT BOX . . .

Deeds, Abstracts, Wills, Stocks, Mortgages, Bonds, Contracts, Leases, Maps, Bills of Sale, Policies, Agreements, Assignments.

Jewelry, Memorabilia, Certificates, Valuations

Documents of Citizenship, Passports, Partnerships, Homage and Birth Certificates, Titles, Court Decrees, Resumes, Trust Agreements, Billings and Loan Orders, Insurance, Tax Records, Portable Papers.

Judicial Records, Records, Awards, Charters.

Social Security Records, Retirement Records, Letters, Registers, Membership Records.

REPUBLIC NATIONAL BANK
P. O. BOX 2044 DALLAS 21, TEXAS

AMOUNT \$ _____ BOX NO. _____

TOTAL \$ _____ For Rental Payment

YOUR CHECK WILL BE MADE AS YOUR CHECK

Dear Customer:

It is time to renew your Safe Deposit Box annual. Enclose the detachable check above, or your payment check in this return envelope today, and you'll have the important deed all your own.

We wish to extend you all the enjoyment of your Safe Deposit Box, and we urge you to use it for the safeguarding of all your valuable papers, important records and irreplaceable items of sentimental value.

It has been a privilege to serve you in our Safe Deposit Department and we look forward to continuing our service to you, not only here, but at other departments of the Bank as well.

Sincerely,
REPUBLIC NATIONAL BANK

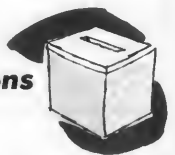
The four-part safe deposit renewal envelope.

Bank Entertains Real Estate Women

WHEN the women realtors of Orlando, Fla., formed an auxiliary group, the First National Bank in that city saw a public relations opportunity. It was host to the ladies at their first official dinner meeting.

Says Vice-president Roy H. Gibbs: "A newcomer in a community contacts a real estate broker first. Also, more and more women are entering the real estate field and are selling an increasing percentage of homes to the new residents in a community.

"In giving this dinner we recognized the importance of women in the real estate field. This gesture of friendliness really paid off from a public relations standpoint."



"Your Ideas and Opinions Will Be Welcome"

THE LOBBY of The Manchester (Conn.) Trust Company has a suggestion box for customers' use, but the bank doesn't stop there in its effort to get their ideas.

A form mailed to customers asks: "What should we do to make our services more useful and profitable to people like yourself? It would be helpful to us if you would write down your recommendations here. Your ideas and opinions will be welcome."

Space is provided for writing suggestions. A signature is appreciated but not necessary. The form can be folded and sealed into a business reply envelope, postpaid.



The Manhattan Savings Bank, New York City, paid special honors to Mrs. Cara I. Turner on her 81st birthday which was also her 60th anniversary as a depositor. She was the luncheon guest of President Willard K. Denton and the bank's senior officers, receiving a bouquet, a corsage and a memento. In the picture she's being greeted by Mr. Denton.

IDEAS THAT HAVE WORKED



Mrs. Walter Jalley, receptionist at the Old Kent Bank and Michigan Trust Company, Grand Rapids, tries the 1847 Singer sewing machine shown in an exhibit at the bank.

Americana Exhibits Draw Well in Bank

THE TRAVELING exhibits from the Ford Museum's "Progress—U.S.A." collection are attracting attention at the Old Kent Bank and Michigan Trust Company, Grand Rapids.

There are 24 displays in the monthly series, which is being shown in principal cities. Each features the development of an American product.

The display of old school desks at the bank had unusual interest for Grand Rapids because one of them had been manufactured there. Another attention getter was the first sewing machine, made in 1847, shown with a modern model. Both displays were featured in the local press.

Says the bank: "The traveling exhibit has been a worthwhile public service as well as a means of getting our name before the public and getting people into the bank."



A New Bank Needed A New Idea

WHEN DOWNTOWN Chicago's newest bank, Mid-America National, opened in the equally new Prudential Building, management wanted a theme that would arouse interest and attract business. But a limited advertising budget dictated getting a foothold first, then broadening the objectives.

It was decided that the bank's hours were not only of major concern to customers but also should be

flexible enough to be tailor-made for customer convenience; further discussion with the advertising agency, Calkins & Holden, Inc., developed the promotional theme to be used: "The 8:30 Bank That Stays Open 'Til 4." The primary target audience was the commuter, a logical objective in light of the fact that the bank is directly above the Illinois Central's main underground passenger commuter station. Escalators connect the two floors.

Platform posters and 240 car-cards inside the cars caught the readers' eye, and the repetitive exposure to the "8:30 Bank" theme soon began paying off.

Edward Damstra, president, says: "Many Illinois Central commuters are now doing their banking when they get off the train in the morning. We're confident that the trend we have created will continue; the success of '8:30 banking' is the foundation we needed before spreading into other areas and services. Working with a very modest advertising appropriation, we have succeeded in breaking into a most competitive, high-priced market."

Mid-America National not only caters to commuters; it offers all banking services to individuals and business generally.



Late model girls in an old model car helped the North-west National Bank of Chicago promote automobile loans at a show. Young ladies from the staff (pictured is Darlene Budde) invited the crowd to ride in the 1903 Oldsmobile. Auto loan promotion material was distributed at the booth. "One of our most successful promotions," reports Vice-president Fred W. Heitmann, Jr.

IDEAS THAT HAVE WORKED

Invitation to "A Lifetime, Lifesize Career"

AN AID to recruitment on the campus is "Grow with National Bank of Detroit," a two-color brochure recently published by that institution for distribution to college students.

The text tells what banking—NBD in particular—has to offer career-wise, and it helps the prospect answer such questions as "Is banking right for me?" and "Am I right for banking?" The "four starting points", or work areas, in which the recruit is trained are briefly described. Several pages tell him about Detroit.

Finally he's invited to meet the bank, either through the college placement office or by writing the personnel director.

Calendars

RIVERSIDE National Trust & Savings Bank, Riverside, Calif., imprints a blotter with a "holiday calendar" giving the dates for eight important days in 1957 through 1960. It's mailed with customer statements in December. We're told that a copy was seen at an earthworm farm whose owner had used the blotter side to figure his income tax.

Another idea comes from Valley National Bank, Phoenix, which distributes "Arizona Calendar of Events," listing by months the special events and conventions scheduled in the state for 1957.

Year	New Year's Day	Carnival	Memorial Day	Independence Day	Labor Day	Columbus Day	Thanksgiving Day	Christmas Day
1957	January 1	April 21	May 30	July 4	September 2	October 8	November 28	December 25
1958	January 1	April 6	May 20	July 4	September 8	October 13	November 27	December 25
1959	January 1	April 20	May 25	July 4	September 7	October 12	November 26	December 25
1960	January 1	April 11	May 18	July 4	September 6	October 11	November 24	December 25

The calendar blotter.

Small-Space Human Interest Ads

BANK SERVICE is promoted with the human interest touch in a small-space advertising campaign conducted by the National Boulevard Bank of Chicago.

The series, worked out with the bank's agency, uses carefully selected stock photos of people, and hypothetical situations wherein each person gives a testimonial on a bank service.

Reprints, circulated among customers and prospects, say: "We hope that this advertisement, currently running in Chicago newspapers, may suggest one of the many ways we may be able to assist you."

IDEAS IN BRIEF

"Our New Name"

When a Cleveland bank changed its name — to the Union Commerce Bank from The Union Bank of Commerce — it circulated a small blue leaflet calling attention to the new, simpler title. "As a banking customer," said the copy, "You are not affected in any way. For instance, you may continue to use your present checkbooks, savings account passbooks and the like. New supplies will show the new, simpler title. . . ."

Picture Story of a Check

The travels of a check through First National Bank in Greensburg, Pa., were reported by the Greensburg Tribune-Review in a full-page story. A brief explanatory text supplemented the 10 photos, taken in the bank.

Bank Staff Featured in Film

A 20-minute color sound film is used by Bank of the Southwest, Houston, to promote its operations and services. Titled "Banking: New Horizons," the picture stars staffers in the leading roles. Opening with a scenic view of the Southwest and its industries, the film goes back to the founding of the Lumbermen's National Bank, forerunner of the present bank, and brings the story up to date with its occupancy of its new building.

Colorado Story

Scenes and descriptive sketches of the great area west of the Continental Divide comprise a booklet, "The Western Colorado Wonderland," issued by First National Bank in Grand Junction, Colo. Imprinting the name of the recipient lends a neat personal touch. The bank briefly tells about its services and invites visitors to use them.

Free Gas

The Bridgeville (Penna.) Trust Company gave five gallons of gasoline to persons opening new savings accounts of \$10 or more. Old customers who deposited at least \$25 in existing accounts got similar gifts. Lobby advertising was three large all drums, painted with the words "Free Gasoline", and similarly labelled varnish cans at each teller's window. The promotion lasted a month and brought in 230 new accounts averaging from \$10 to \$4,000. Deposits rose 3%.

Finance Forum for City Fathers

At the Connecticut Bank and Trust Company, Hartford, there's an annual forum on municipal finance for state and local officials. Attendance exceeds 200 mayors, selectmen, comptrollers, treasurers and other state and local officials. Sample topics: "The Investor Attitude Toward Municipal Bonds," "Myth and Mystery in the Cost of Schools," "Revenue Bonds to Finance Sewer and Parking Facilities."

A Sales Program for a Small Bank

by Anthony L. Antin

THIS is addressed to the small bank *sales manager*, who is, in effect, the president; and also to his *salesmen*, who are the bank's officers and employees.

This is a "how-to-do-it" article for small banks (\$2,000,000 to \$25,000,000 in deposits). It spells out an extensive but *realistic* advertising-sales promotion program—one which a small bank can develop and execute with limited personnel and a budget of about \$10,000.

Successful execution of this program depends upon the prior acceptance of these facts of life:

- (1) Advertising-sales promotion efforts of a small bank need not be expensively outstanding or original.
- (2) Advertising-sales promotion will attract customers, but a bank must deliver service, convenience, and value to hold them.
- (3) Selling bank services is a major responsibility of the president, especially in a small bank.
- (4) In advertising and sales promotion on a scale necessary to achieve good results, a small bank needs help, lots of it, and some of it free and much of it at low cost. Which means that, to do the job right, a small bank must *improvise, borrow, and adapt!*

THE PROGRAM

A bank sells at two levels: (1) *Commercial* (business loans, company accounts); (2) *retail* (savings, checking, instalment loans, safe deposit, and others). Since the current competitive pressure—from other types of institutions—is almost entirely at the retail level, this is a program for selling there. Of course, in smaller towns, sales efforts at one level often complement those at the other because such a high proportion of the same people are involved as prospects.

Newspaper Advertising

Purpose: To sell existing and prospective customers on using the bank's services, and to demonstrate the bank's eagerness to serve.

Schedule and Size: At least once a week, on Tuesdays if the town has a daily, and at least 9" x 4 columns.

Copy, Art and Production: You can get good timely ideas for pennies by subscribing to the daily newspapers in the cities (outside your territory) where large banks advertise regularly. Copy about your

The author was formerly with the department of advertising, retail sales promotion, and public relations of the Mellon National Bank and Trust Company, Pittsburgh. He became interested in the problem of small bank advertising through consultations as part of the program of correspondent bank relations. He is now with the advertising department of Reader's Digest.

His observations here are based on his own experience.

special services can be obtained from the suppliers of bank services and equipment, i.e., Christmas Club, American Express Co., Mosler Safe Co. (safe deposit boxes), CheckMaster and others. A.B.A., of course, is another excellent source of inexpensive mats.

For illustrations you may also subscribe to a "clip book" service. You get a monthly booklet filled with a wide variety of drawings in a variety of sizes. You just clip what you need, and give it to the newspaper along with your copy. Then, too, newspapers themselves almost always have files of standard "cuts" which can be used in different ways, and at no extra cost to an advertiser.

Radio Advertising

Purpose: To give the advertising program daily (if not hourly) "booster shots."

Schedule and Length: Use spot announcements all day—20-second ones or, at most, one minute. If one of the station disc jockeys has a pleasant, warm personality, and *if he is respected by adults in the community*, use him frequently. Sponsoring a show is not the wisest move because it condenses your selling into a one-time period.

Copy: The station can write announcements for you. Also, good "spots" are available from the "suppliers" mentioned above, from A.B.A., and sometimes from correspondent banks.

Outdoor Advertising

Purpose: Like radio, to give the advertising program daily "booster shots."

Type: There are two kinds of outdoor billboards—"24-sheets" and painted. You can afford only the painted kind. Most likely, there is a company in town or nearby that can provide the necessary service and boards. Insist that the boards be kept clean and in good shape. Messages should be changed every two or three months.

Locations and Number: Cover every main entry into town.

Copy and Illustrations: Packing a lot of meaning into a few words is a job for a writer. Expressing one simple thought or fact in a few words need not be. Perhaps you can write your own billboard copy.

DIRECT MAIL

Purpose: To sell existing customers additional services, and to make direct appeals to prospects.

Method, Lists, and Frequency: Some advertising piece should accompany every checking account statement, and can sometimes go with certain types of letters and other bank correspondence. In addition, have special mailings. Have something in the mail all the time. Lists of names can be *borrowed* (from service clubs, country clubs, friendly stores, etc.); *bought* (from letter shops); or *culled* (from telephone books, etc.). Some special services like savings clubs and safe deposit provide lists, too.



One of many attractive and authoritative A.B.A. direct mail pieces, on all popular banking services, currently available. Quantity production keeps cost to bank low.

WHERE DOES IT ALL GO?

Heedless spending habits may account for a lot of that change which seems to disappear between paydays. Why not get into the habit of depositing something in a savings account with us *before* you start to spend? There's nothing quite like "paying yourself first" for building up a bank balance—and for meeting opportunities and emergencies.

THERE'S NOTHING QUITE LIKE MONEY IN THE BANK!

One of the more than 260 ads offered each year under the A.B.A.'s flexible, economical Proofs-in-Advance plan of newspaper advertising . . . Bank's choice of 52 ads, in mat form, comes to \$49.50.

Sources for Mailing Pieces: Again, "suppliers"—they provide mailing pieces at small cost. So does the A.B.A. on a wide variety of banking and trust subjects. Sometimes correspondent banks will permit adaptation of pieces they have already used. Direct mail need not be elaborate; you can even do your own.

"Point of Purchase" Display

Purpose: To remind existing customers and "walk-ins" about the bank's services, and to stimulate "impulse buying."

Themes and Duration: Feature one theme at a time—in the lobby, in windows, everywhere. Be timely and seasonal, and change displays at least once a month.

Materials and Construction: "Suppliers" provide display material, free or at low cost, to boost sales of the services in which they are interested. Christmas Club, for example, has a lobby display kit that sells for \$27.50. American Express Co. and Mosler Safe Co. both have display material to offer. And again, so does A.B.A. You can produce much of your own, too.

Sales Training and Incentives

Purpose: To back up "second-person" advertising and sales promotion with "first-person" selling—in the bank, in the employees' neighborhoods, at meetings they attend, everywhere and always.

Ways and Means: The factor of smallness that makes a formal sales training program impractical for a small bank also makes one unnecessary. An informal program will do just as well. The core of such a program is the example of the officers, particularly the president.

Incentives: You can stimulate employees to sell by offering rewards—cash, merchandise, time off, etc. And you will greatly encourage selling in your bank if, when higher jobs open up, you advance those who have already won recognition as salesmen.

Traffic Builders and Special Services

Purpose: To start people coming into the bank, and to strengthen the bank's hand in meeting competition.

Method: A small bank should offer all the special services it can—i.e., travelers checks, Christmas Club, and other special savings clubs, bank money orders, safe deposit boxes. These build traffic, a starting point for getting new customers.

A bank can build traffic by making its lobby available for community interest shows, displays, and exhibits.

CONCLUSION

Caution: To avoid dissipating advertising-sales promotion dollars, keep a hard eye on: (1) The purchase of space in club, church, and school programs. (2) The purchase of advertising gimmicks from traveling salesmen. (3) Give-aways. None of these will do you much good.

One reaction to this program might be: "Fine, but I'd never find the time to do it. We're much too busy right now just running the bank." However, even the banker who makes such a statement is probably uncomfortably aware of the fallacy in it. For surely he knows that the future of his bank, and of the people who work in it, does not depend so much upon the management of routine, day-to-day operations—upon "running the bank." In these competitive times, it depends far more upon the bank's ability to attract and hold customers in numbers sufficient to create a need for these operations—and for the people who perform them.

WHICH ONE WORKS FOR YOU?



Here are the embezzler's two selves—the self you see, the self you don't. Both may be on your payroll. Our Bankers Blanket Bond is the best protection against her EQ or EMBEZZLEMENT QUOTIENT and the resulting loss an honest face might mask. Let the Indemnity agent help you review your fidelity coverage. Ask him to show you our *Portfolio of Protection for Banks*.



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GOVERNMENT BONDS

*Long-Term Bonds Decline . . . New High Rate for Treasury Refunding
. . . What to Do About F & G Bonds . . . Treasury Bills in Demand . . .
OMC Watchfully Waiting . . . Bank Loans Fail to Increase*

MURRAY OLYPHANT

THE demand for capital continues to exceed the supply. As yet, no one has been able to find any reason why that situation should change for some time. In consequence, the cost of credit cannot be expected to be any less than it is now.

However, the monetary authorities seem to be somewhat less apprehensive of a renewal of inflationary pressures and are doing nothing whatever, at the moment, either to increase or decrease the present supply of credit and its cost. The "passive" policy of the last few months shows no sign of any change.

But there were enough uncertainties to make the market for Governments more hesitant.

Long-Term Bonds Decline

With very few exceptions all bids for Government issues are now below 100, while several of the longer bonds have bids of less than 90. This is true even of the most recently issued Treasury offerings, although they were thought to be short enough and with a high enough yield to maintain their prices.

In April the market rather intensified its distaste for longer maturities, most of which declined over a full point, while the longest bonds (3% 2/15/95) were down over 2 points.

Probably the constant and unsolved discussion as to what the Treasury was going to do about the maturing F and G Savings Bonds, with the possibility that a new marketable issue at a good rate would become available, prevented any consideration of purchases even by those who, from time to time, have

been purchasers of the longer bonds.

Furthermore, with the Treasury offering a 3½% coupon for a less-than-5-year maturity, why buy a longer issue at a considerably lower yield? For example, the 3% bonds 2/15/95 yield only about a 3⅜%, and the 2½% bonds 12/15/72/67 about 3⅓%.

The market was even more stagnant in April than the month before. Actually, dealers shy away from orders either to buy or sell the longer issues except in very small amounts, and even these are hard to price. Quotes mean very little when it comes to doing business.

Just as long as approximately equivalent, or slightly better, interest return can be obtained from maturities up to five years, it is hard to see where any buying of the longer issues can come from. It is quite possible that we have not yet seen the bottom of the market for the longer bonds.

New High Rate for Treasury Financing

Not since 1933 has so high a rate been placed on any Government obligation as the 3½% coupon attached to the 4-year 9½-month note offered in exchange for the \$4,155,000,000 1½% notes which matured on May 15. Holders of the maturity were given the choice between the note and an 11½-month 3½% certificate. Both the new certificate and the note were dated May 1, so there was a bonus of about 2/32 because of interest adjustment.

Because hardly any of the maturing notes were held by the Federal Reserve banks it was essential that the exchange offering be sufficiently

attractive to assure as nearly a complete rollover as possible in order to avoid any substantial cash attrition. Hence, the Treasury was forced to use the new high rate for the note. But it wasn't high enough.

About \$1.6-billion of the maturing notes were owned by banks and about \$2.4-billion by "other investors," chiefly corporations. Corporations were expected to prefer the new 3½% certificates, while the country banks, which owned about \$800,000,000 of the maturity, were booked to take the notes.

However, by May 3, both of the new issues were available in the market on a "when issued" basis at 99 31/32, while only 99 30/32 was bid for the maturing 1½% notes.

On May 10 the Treasury reported a 28% "attrition" on the refunding. The cash payout of \$1,167,000,000 was the highest in recent years.

Immediate Needs of the Treasury

Except for the over \$4-billion of tax anticipation certificates and bills which mature in June, nearly all of which will be used in lieu of cash to pay taxes, there are no further maturities until August 1, when about \$12-billion of 2¾% notes fall due. Prior to that date the Treasury will need more new cash—possibly in June, certainly in July. It begins to look now as though it will not be long before the amount of Treasury bills offered weekly will be raised again. Already it is up \$100,000,000 a week. Bills seem to be about the only Government obligation for which there is "Welcome" on the mat.

What About F and G Savings Bonds?

If the refunding of the 1½% notes was a problem, what to do about the maturing F and G bonds is a Chinese puzzle. The Treasury started talking about them several months ago, sent scouts to survey opinion across the country, and talked about refunding with a marketable bond. There were no handclaps.

About \$250,000,000 matured in May. These were paid off. Some \$550,000,000 mature in June. [The Treasury announced, May 16, indefinite postponement of any exchange offering for these.] The truth seems to be that the investor-holders of the F and G bonds can now reinvest to greater advantage in the corporate bond market than in any Government securities, while the Treasury can hardly afford to offer a rate which would really compete with the corporate offerings. An additional \$2¼-billion of F and G bonds mature in the next 10 to 12 months, so the problem is continued.

Treasury Bill Market

Offered on	Am't Offered	Aver. Cost	Dealers Got	Later Prices
Apr. 7	\$1,600 mil.	3.154%	\$296 mil.	3.13-3.10%
Apr. 16	\$1,600 mil.	3.194%	\$321 mil.	3.12-3.09%
Apr. 23	\$1,600 mil.	3.054%	\$289 mil.	3.03-3. %
Apr. 30	\$1,700 mil.	3.039%	\$481 mil.	2.99-2.97%
May 6	\$1,700 mil.	2.909%	\$366 mil.	2.90-2.86%

If a substantial part of these maturities are presented for cash redemptions, the Treasury will need a lot of new cash, so we need not be surprised that a lot of it is to be obtained from more Treasury bills.

Treasury Bills in Demand

About the only broad 2-way market for any Government obligation today is that for Treasury bills. This was clearly evident during April as the record above shows.

Week by week the cost to the Treasury showed a decrease. Over the period, what the dealers got they were able to redistribute without difficulty and without much resort to repurchase agreements.

Banks have been able to add somewhat to their very modest holdings of Treasury bills, but it is the corporations which appear to have the wherewithal to buy bills, and they continue to do so. Moreover, the large amounts of bonds sold by states, municipalities, and industrial corporations gets in funds for which there is no immediate use. Temporarily a large part of these funds are used to buy Treasury bills, where about 3% is available with no risk.

Currently there are about \$22-billion of outstanding Treasury bills. Only a little over \$1.4-billion are owned by the Federal Reserve banks and the reporting member banks.

(CONTINUED ON NEXT PAGE)

THE INVESTMENT MARKETS

NEARLY all sections of the investment markets which struggled with oversupply late in April, recovered in the early part of May. Dealings in new issues of corporate securities and of state and local governments then took a turn for the better.

The floating supply fell because of the pulling power of higher yields, primarily, it seems because the Treasury, too, had to increase its rates for the May refunding operations. But yields are quite competitive.

One 20-bond yield index decreased fractionally in recent weeks and created a buoyancy in the tax exempt new issue market. However, this is not universal for two chief reasons.

Number one, the supply is somewhat excessive. In the first four months of the year, state and local government financing was at a new high. It amounted to \$2.4-billion and was 29% higher than in the first four months of 1956.

Another market consideration is that many institutional investors are not so much concerned with the tax status of their holdings as other investors, especially when their institutions' funds are in relatively short supply and investment opportunities are numerous.

THE larger supply of funds recently available for absorption of the large new securities' offerings reflects not only higher rates but also lessening of demand for funds in the mortgage market. Also, in the immediate future, considerable funds may become free for investment by the attrition in the Treasury's May financing.

Corporate working capital has shrunk in relation to need. This has forced a cutback on inventories in some places and has made business less immune to credit

H. EUGENE DICKHUTH

policy than it was before. In 1954, risk assets in all banks amounted to about 44.5% of total resources. That figure, at the end of 1956, stood at 51.3%.

THE demand for long-term investment funds in the capital markets is likely to approach this year the record 1954 level. Forecasts are that 1957 corporate offerings may exceed by more than a billion dollars new securities floated in this sector in 1956 amounting to \$17.7-billion. After redemptions, net new issues may come to \$8.5-billion, against \$7.6-billion last year.

Tax-exempts may total, after debt retirement, in the neighborhood of \$4-billion, compared with \$4.8-billion in 1954. The much feared shortage of funds may or may not materialize. It is likely to depend on many factors.

IT could be that commercial banks may get a greater share of the public's savings dollar and savings banks and savings and loan association will get less of the increase. This would shift the emphasis in the availability of savings funds, fractionally, from the long-term to a relatively short-term commercial area. Decrease in instalment credit outstanding, against the background of higher personal savings, may well show up in a higher over-all savings figure.

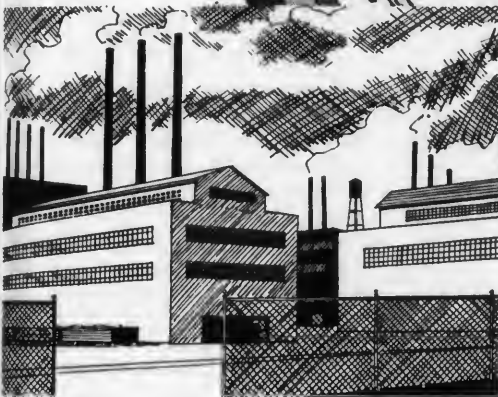
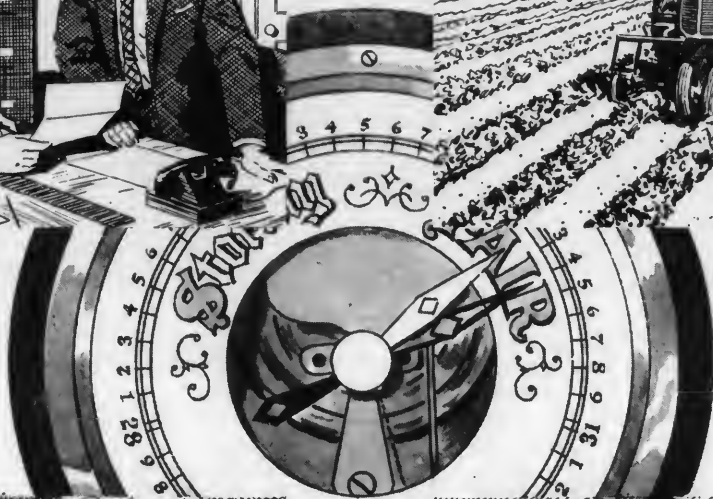
The large redemptions of savings bonds also play a part of swelling the supply of available investment funds through larger savings. The exact movement of these funds cannot be predicted, but it may be assumed, on the basis of past experience, that idle funds from whatever source will be ample on an over-all basis and will find profitable employment in the investment markets.



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The Maxwell H. Covington farm at Davidsonville, Md., was toured by bankers attending the recent fifth annual Farm Credit Conference sponsored jointly by the Maryland Bankers Association and the University of Maryland. Agricultural Economist A. B. Hamilton was the tour leader and the discussions of the Loan Review Panel on the following day centered around the farm's operations

News for Country Bankers

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

Credit Conference Plans

TENTATIVE program building plans for the A.B.A.'s Sixth Annual National Agricultural Credit Conference call for the featuring of the problems facing farmers as a result of the revolutionary changes taking place in agriculture and their possible solutions, according to Edgar T. Savidge, deputy manager of the A.B.A., in charge of the Agricultural Commission. The conference will be held at the Hotel Morrison in Chicago on November 21-23.

Since the U. S. Department of Agriculture's Agricultural Outlook Conference, which is customarily attended by the leading agricultural authorities of the nation, will be held in Washington, D. C., beginning on November 18, it is anticipated that speakers will bring to the Chicago meeting some of the conclusions reached at the USDA conference. This should be especially helpful to delegates in orienting and developing future policies and in counseling their farm customers.

The increasing value of the National Agricultural Credit Conference is indicated by the fact that

15 country bankers in the Philippine Islands have already indicated their intention of attending this year's meeting. It not only attracts bankers directly and indirectly concerned with farm customers, but also a large number of agricultural economists and other personnel from the land grant colleges and equipment and feed manufacturers. The expenses of many of the agricultural economists attending the meeting are paid by state bankers associations.

The 1956 National Agricultural Credit Conference was held in St. Louis, Mo., and was attended by bankers from 36 states, the District of Columbia, and Canada.

A.B.A. Credit Subcommittee Stand on Fed Legislation

THE views of the Subcommittee on Agricultural Credit of the A.B.A. Committee on Federal Legislation on certain legislation now being considered by the Congress, or by earlier Congresses, may be summarized under these main headings:

Public Marketing Facilities Replacement Financing

Five somewhat similar bills would provide Government aid for the fi-

ancing of the replacement of inadequate and obsolete marketing facilities for handling agricultural commodities by authorizing the Secretary of Agriculture to insure loans by private lenders.

In presenting the Subcommittee's position on this legislation at hearings before the House Committee on Agriculture, J. W. Bellamy, Jr., president of the National Bank of Commerce of Pine Bluffs, Ark., and a member of the Subcommittee, stated:

"The American Bankers Association believes that this bill should not be enacted because (1) Government guarantee of loans is an indirect subsidy to private lenders and investors; (2) the projects that might be financed under the bill would compete with other construction projects for materials and labor which are in short supply and, thus, contribute to inflationary pressures; (3) it is time that local communities stand on their own feet and provide such local facilities as they need out of their own efforts; and (4) in any event, existing agencies of the Federal Government have authority to finance such marketing facilities."

Farmers Home Loans

H.R. 886 provides for Government direct and insured loans to farmers for almost every agricultural pur-

pose and to farm-related small businesses on liberal terms at interest rates substantially below the current levels.

The Subcommittee opposes this bill because of its cheap credit features which could have the effect of supplanting private agricultural credit and private financing of small business in rural communities with a direct Government lending program.

S. 1096 reduces the rate of interest from 5% to 3% on special livestock loans administered by the Farmers Home Administration in major disaster areas.

The Subcommittee views this rate reduction as being unrealistic and substantially below current levels. Such rates on direct Government loans could and might encourage borrowers to deliberately disqualify themselves for credit from established lenders and would create pressures for reduction in rates on all FHA loans.

Farmer-Debtor Relief Under National Bankruptcy Act

For several years, bills have been introduced that would add a new permanent chapter to the Bankruptcy Act. They have been designed to give a moratorium on his debts for the duration of his financial emergency to a farmer-debtor who gets into serious financial difficulties because of conditions beyond his control. At the end of the emergency, he would have been given an extension of time for payment of his debts.

The principal due on secured debts would have been amortized in full over the extended period, but provision was made for scaling down the interest rate to 5% when the contract rate was higher. On unsecured debts, both principal and interest would have been cut down. The bills were designed to replace the old Frazier-Lemke Act.

The A.B.A. has opposed this legislation in previous Congresses. No similar bills have been introduced in the 85th Congress. The Subcommittee reaffirmed the position that such legislation is not needed and that farmers are adequately protected at present under provisions of the Bankruptcy Act.

Rural Electrification Administration

Consumer facilities financing by

cooperatives, borrowing Government funds through the REA at rates below current levels, has grown in recent years. H. R. 4781 changes the interest rate on funds furnished the REA by the Government and also provides that borrowers assist in paying the administrative costs incident to loans.

The Subcommittee believes that when capital is advanced by the Government, it should be made on condition that payment be made for its use equivalent to the cost to the Government and, therefore, favors this legislation.

2-Day Development Tour

IN a recent issue of "Farm Facts," the Kentucky Bankers Association reported that the Kentucky Agricultural Council, composed of some 75 statewide farm agencies and organizations, is planning a 2-day agricultural development tour in early August.

Tentative plans call for the party to leave Frankfort by bus on August 6 and to visit several counties where inspections will be made of outstanding developments in pasture, livestock production, poultry and forestry, and fruit and vegetable production. The tour is planned to give Kentucky farm and industrial leaders a chance to study opportunities in developing the agricultural resources of the state.

PCA Operations Summary

THE Farm Credit Administration recently released a summary of operations of the 498 production credit associations for the calendar year 1956. During the year, the PCA's made 276,000 loans to their members for a total of \$1.4-billion, an increase of 2% in number and 7% in amount compared with 1955. Loans outstanding at year end totaled \$706,000,000, or about 8% of the farm loans held by all lenders.

About 477,000 farmer-stockholders owned approximately \$103,000,000 in capital stock in their associations as of December 31, 1956. This reflects an increase of about \$5,000,000 during 1956. The Government's investment in capital stock, which reached a peak of \$90,000,000 in all associations in 1934, has been reduced to less than \$1,900,000 in 42 associations. As of

January 3, 1956, 456 associations were entirely owned by their farmer members.

The increased cost of money is reflected in PCA operations. The average cost of loans to borrowers was 6.20%, as compared with 5.92% for a year earlier. This includes amounts paid for record searches, recording, and other fees, but does not include the stock that a member must buy equal to 5% of his loan. Net earnings for the year amounted to \$3,500,000, as compared to \$6,900,000 for 1955.

PBA's Group V Holds Clinic

PENNSYLVANIA BANKERS ASSOCIATION Group V will hold an agricultural clinic at Boiling Springs, on Thursday, June 13, according to Norman S. Pusey, chairman of the Committee on Agriculture, and vice-president and cashier, The National Bank of Avondale.

Robert F. Jones, chairman PBA Group V, and president, Peoples Bank of Hanover, will preside at the clinic.

Speakers will include Dr. William L. Henning, Secretary of Agriculture, Commonwealth of Pennsylvania, who will discuss "The Agricultural Picture in Pennsylvania"; Robert G. Hoover, associate economist, Federal Reserve Bank of Cleveland, who will speak on "Agricultural Price Trends"; and Clifford L. Orbaker, accredited farm manager, Doane Agricultural Service, Inc., Doylestown, on "Analyzing Farm Operations."

Banks Should Give Services That the Public Wants

"THERE was a time when we had approximately 30,000 banks compared with today's approximately 14,500," Joseph C. Welman, vice-president of the American Bankers Association, said in an address before the Independent Bankers Association in Miami Beach, Fla. "No informed person would advocate a revival of the overchartering which was the major cause of our difficulties a few decades ago. But we must avoid any tendency toward automatic, blind opposition to new charters. Failure to recognize the banking needs of fast growing communities will only serve to shift the business to nonbank sources and encourage support for those who con-



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tend that the public will be best served by some form of multiple banking."

Continuing, Mr. Welman said that "the desire for and the response to parking facilities, drive-in facilities, 24-hour depositories, bank-by-mail, and other such services have been clearly demonstrated.

"If you will pardon the reference to my own bank, I should like to tell you that we now handle approximately 25% of our checks and deposits at our drive-in windows. The use of this service is constantly growing.

"I am aware of the feeling which exists among many bankers that this type of service has the undesirable effect of lessening the personal contacts with customers across the counters and desks. My own feeling is that the public should be and must be served in the manner they want.

"A great many independent banks are so situated that they cannot furnish adjacent parking and drive-in facilities. In many states they must choose between ignoring this service, moving from present locations and establishing costly new quarters where such service can be provided, or relying, where permitted, on uneconomical, unsatisfactory pneumatic tube systems."

Mr. Welman said he knows full well that he is in complete disagreement with some of his good friends, but, "I submit," he said, "that carefully drawn legislation to permit such banks to establish a single drive-in facility is by far the lesser evil and should be encouraged and supported. It is my honest belief that this should and could be accomplished without becoming an 'entering wedge' for branch banking in nonbranch banking states and without the interpretation by the Comptroller of the Currency that it is branch banking. I firmly believe that such action will help preserve independent banks by lessening the

In economics anything can happen—especially the impossible. No one has yet figured out whether business is good because people are optimistic or whether people are optimistic because business is good. It is all pretty confusing if anyone should ask us—which seems quite unlikely.—HERBERT A. LEGGETT, Editor, Arizona Progress.

demand for new charters, reducing the need for expensive building changes, and postponing or eliminating agitation for other types of banking. Such facilities will aid materially in providing the well rounded banking service we so earnestly want to offer to the public.

"We must continue to oppose the encroachment of Government in the private lending field, but we shall meet with little success unless we are willing to do a thorough job ourselves."

Mr. Welman is president of the Bank of Kennett, Kennett, Mo.

Man's 40 Ounces

USING the fact that the average adult's stomach will hold about 40 ounces of food as a springboard, Alva W. Phelps, chairman and president of The Oliver Corporation, launched a discussion of future developments in the U. S. agricultural economy at a meeting of the New York Society of Security Analysts. Mr. Phelps' projections on agriculture and population trends were based upon estimates provided by Drs. D. Gale Johnson and Philip M. Hauser of the University of Chicago.

The Oliver Corporation president predicted that:

"For every 100 people requiring food in 1955, we will have 108 to 109 in 1960. That is an 8% to 9% increase in the size of our ultimate market. By 1965 we will have 115 to 117 consumers of food for every 100 in 1955. By 1970 we will have 125 to 127, and by 1975 we will have 134 to 138, or more than one-third more than we have today. If the population growth continues at its present trend, a low estimate is 222,000,000 Americans by 1975, with the experts saying it might be 228,000,000."

* * *

Food production requirements are expected to expand in about the same proportion as the population increase. It has been found that the percentage of family income spent for food has not varied appreciably in nearly 35 years—in good times and bad.

* * *

"It is going to take more efficient farming to produce the increased food requirements, because the labor used on farms, including that of owners, tenants, and employees, has been decreasing for decades. Be-

tween 1935 and 1955 the number of workers on farms fell from 12,733,000 to 8,237,000. This trend is going to continue."

★ ★ ★

"Thus for each 100 workers on farms in 1955, there will be only 90 to 92 in 1960, 80 to 85 in 1965, 70 to 75 in 1970, and 60 to 65 in 1975."

★ ★ ★

"If each man produced 100 units of crops in 1955, he must produce 115 to 120 units in 1960, 135 to 140 units in 1965, 167 to 171 units in 1970, and 215 to 220 units in 1975."

★ ★ ★

"For each 100 [farm] machines in use in 1955, there must be 130 in 1960, 175 in 1965, 220 in 1970, and 270 in 1975."

★ ★ ★

"The replacement demand for tractors is rising rapidly and is expected by the Department of Agriculture to exceed 300,000 by 1960. Domestic sales of tractors for farm use was at the rate of about 400,000 per year from 1949 to 1953."

★ ★ ★

"Present economic trends indicate relative income per capita, starting from 1955 as a base for 100, will rise to 112 by 1960, to 125 by 1965, to 138 by 1970, and to 160 by 1975. This presupposes that the value of the dollar remains at its present level."

Natural Resources Booklet

THIRTEEN experts representing as many major industries in the natural resources field contributed to a 40-page report on the part played by business in the conservation of the nation's natural resources. Besides answering common questions, the booklet lists more than 60 pieces of literature available from business sources. It was published by the Natural Resources Department of the U. S. Chamber of Commerce.*

The report points out that our nation developed through use—rather than mere preservation—of its resources. It states that self-interest alone assures business efforts to make proper use of these resources.

*1615 H Street, N. W.
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June 1957

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When deciding upon what we should have, conventional files were excluded from our thinking: because their use involved opening and closing drawers a thousand times each day and we felt there must be a solution that would make for easier access. We found it in the candy industry...of all places! What we wound up with was a certain type of conveyor used in plants that make

candy bars. After the bars are dipped in the hot chocolate, they move on to a tray which lifts them up to the top of the unit and then conveys them back and forth, gradually working down to table height and coming out in front of the packer all cooled off and ready to be placed in boxes. We omitted the cooling system in our particular unit because, despite the speed with which we produce, our checks never get overheated and neither do we.

Anyway, this "monster," as it is affectionately known by our people, is just about the queerest looking check file you ever saw. It is twenty feet long, twelve feet high, eight feet wide, and can provide storage for 140,000 checking account customers. Up to the present time it works well and, while it does not have "random access," it does deliver the checks in front of the packer speedily and with no effort on her part. What makes this a newsworthy item is the alertness of our people in going far afield for something that will make our work easier.



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Farm Credit Is Generally Sound

LAWRENCE E. KREIDER

DR. KREIDER is assistant secretary of the Agricultural Commission of the American Bankers Association. The conclusions herein were drawn in part from an agricultural credit situation survey made by the Commission in cooperation with the county key bankers (or comparable leaders) throughout the United States. This survey now made on an annual basis will be made semiannually in the future (spring and fall).

BANK farm credit services remain near a record high level.

Outstandings are generally on a sound basis. Forced sales and delinquencies are infrequent. Farm land and other assets remain high. Yet, bankers recognize the individual financial problems of farmers.

To the banking system, which is the largest institutional source of farm credit services, these observations give some assurance that their farm customers generally are on a sound financial basis. Farmers are a good outlet for productive loans on terms favorable to bankers and farmers. To farmers and the public this information means bankers, by and large, are taking care of their farm customers.

Credit Volume Remains High

Farm credit volume went up rather sharply during most of the post-World War II period. There was one major interruption. During the recession of 1953, non-real-estate credit volume dropped 8%. As a result the total farm debts declined.

Although data are incomplete, 1956 apparently was another departure from the rapid credit build-up. Following a sharp 12% increase in bank farm credit volume in 1955, farmers started to "level off" their demand for credit. By mid-1956, bank credit volume

was 5% above a year previous; and by January 1, 1957, the "leveling off" process was nearly completed.

Unofficial information suggests that agricultural credit in general was influenced by so-called "leveling out" factors during 1956. Although farm mortgages held by insurance companies were nearly one-tenth higher on January 1, 1957 than a year previous, the volume of mortgages recorded decreased approximately 4%. During the last quarter of 1956, farm mortgages acquired by insurance companies were about one-fifth below a year previous and volume acquired was down 4%.

Factors That Will Affect Debt

Bringing the situation up to date, diverse and opposing developments will be reflected in future farm debts. Certain factors will tend to reduce credit volume. Some lenders report a reduction in mortgages recorded or loans closed. This reflects the low number of farm sales.

Other developments will tend to increase credit volume in 1957 and will likely more than offset less mortgages recorded and fewer farm sales. Land prices are higher. An increasing percentage of farm purchases are being credit financed. Even if new mortgage volume recorded or closed declines moderately in 1957, total farm mortgage outstanding will likely go up. Farm equipment manufacturers expect an increase in sales, many of which will be credit financed. Bank deposits in agricultural states are above a year ago, which provides additional lendable funds. Farm income is expected to be above last year. Increased rainfall in the Great Plains drought area has already sent many ranchers to banks for credit to restock partially liquidated herds. A detailed report on the credit situation in the drought area will appear in a subsequent issue of BANKING.

The net result of all these factors

on credit volume during the next year would seem to veer toward an increase in total bank farm credit in the year ahead.

Greater Proportion of Credit Secured by Real Estate

From 1940 to 1952, the proportion of credit on a non-real-estate basis increased. Those were years of relatively high debt-repayment capacity. For three years during and following the peak farm income year of 1951, non-real-estate farm credit exceeded real-estate-secured outstandings. A 51% physical increase since 1940 in non-real-estate property, largely reflecting more machinery, also contributed to more non-real-estate credit.

However, the trend toward relatively more non-real-estate credit was slowed down in 1952 and reversed in 1953 by offsetting factors. Reflecting higher land prices, the dollar value of farm real estate available for collateral increased since 1940 by about the same proportion as the dollar value of non-real-estate property. Higher land value had a double effect—it required more real estate credit for land purchases and resulted in a high real estate credit base on which farmers could borrow for non-real-estate investments. This tended to result in relatively more real-estate-secured credit.

The need for longer repayment terms associated with greater investment requirements also encouraged the use of more real estate for collateral. One-half of all real-estate-secured bank farm credit was reported by county key bankers to be associated with production and operating expenses, refinancing non-real-estate debts, machinery and equipment investments, livestock purchases, and other expenditures not closely related to real estate purchases or real estate improvements.

The major causes of longer re-

By recognizing existing credit problems, banks have been able to take several steps which reflect the desire of bankers to serve the credit needs of farmers who are efficient or show promise

payment programs appear to be increasing. If such be the case and if land values remain strong, farmers and bankers will likely continue to take advantage of the convenience of real estate for security in a large number of cases.

Debts on a Sound Basis

The quality of agriculture credit nationally is high. Forced sales, delinquencies, and loan carryovers are three helpful indicators. Forced sales during the last 12 months, although higher than the post-World War II lows, were less than one-tenth of the average number of the 1930s. And over 9 out of every 10 farm or ranch sales in 1956-57 in which banks had an interest were reportedly sold by operators who had over a 25% equity in their farm business.

Delinquencies were not a major problem during the last year. About three-fourths of all bankers surveyed reported there had not been an increase from a year previous (Table I).

TABLE I

Has there been an increase in delinquencies?

	Bankers replied "No"	
	1956	1957
Farm real estate loans	73%	79%
Non-real-estate loans	57%	69%

Changes in "loan carryovers" appear to be a sensitive indicator of the repayment capacity of farmers and of loan quality. Seventeen percent of the short-term farm loans made by banks in 1955 or early in 1956 were reported to have been carried over beyond the annual repayment period. Fifteen percent was estimated for a year previous (Table II).

TABLE II

What % of non-real-estate credit was carried over beyond 12 months?

	1956	1957
Total carryovers	15%	17%
Carryovers not planned	22%	28%

From the standpoint of credit quality, the percent of carryovers which were *not planned* is probably a better measurement. In 1957, 28% were reported as *unplanned* compared with 22% for a year previous. It appears as though bankers were "sticking with" farmers by using planned and unplanned renewals in an increasing number of cases in 1956-57, rather than classifying loans as "delinquent" or pressing farmers into "forced sales."

It should be recognized that at least part of the increase in planned and unplanned renewals were associated with the general trend toward increased investments and longer-term repayment needs. However, by measurable standards and observation, agricultural credit is generally on a sound basis.

Dollar Volume of Farm Assets Increases

The confidence lenders have in the current credit situation can be attributed in part to the increasing dollar value of assets, notably land, used as collateral. Based on the most recent "Farm Real Estate Market" report of the United States Department of Agriculture, land prices increased an additional 4% during the 12 month ending November 1, 1956. This was a continuation of a steady increase for the last four years to a level 43% above the 1947-49 average. Current unofficial reports suggest continued strength.

Several apparent factors account for the rising price of farm land

sold. Perhaps the most important is the incentive individual farmers have to attain or maintain a satisfactory income. This has encouraged them to obtain efficient-sized units.

The process has been comparable to developments in other segments of the economy. For example, efficient-sized supermarkets now form the core of the retail distribution system for farm products. Supermarket employees, by and large, simply are of greater service to the economy than are their counterparts in stores of the size prevalent a generation ago.

So it is with operators of efficient-sized farms. They are of greater service to the economy than are their counterparts on farms of a size typical a generation ago.

Additional factors pushing the price of farm land up include Government subsidies which tend to become capitalized into land prices, demand for land for urban and industrial expansion, and the belief by farmers that farmland is a good investment. Demand by farmers accounted for most of the recent increase in land prices.

Non-real-estate assets of farmers also increased in dollar value during the last year. Crops, livestock, household goods, and financial assets increased. The total was moderated by machinery inventories which remained unchanged as depreciation equalled purchases.

Individual Financial Problems Exist

Notwithstanding general strength in the farm credit picture, problems do exist on individual farms—particularly in certain areas. For example, bank officers in general are well aware of the harsh effects of a cost-price squeeze. As an Idaho banker put it, "increased operation costs, including farm machinery, coupled with comparative lower prices for produced crops" was the

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principal farm credit problem in his area. Other bankers suggested this was particularly true on small farms. Nationally, the cost-price squeeze was most frequently mentioned by county key bankers as the principal farm credit problem. Fortunately, it received less attention than a year ago.

The nature of farm financial problems in drought areas is well understood by bankers in those areas. They have reported that these problems will in some ways become more acute as increased rainfall encourages restocking the land.

The need for longer repayment programs, low equity, and acreage restrictions associated with Government subsidies were mentioned by many bankers as major farm financial problems. These same problems were mentioned in a comparable A.B.A. survey a year ago. This year the drought and need for longer terms were mentioned more frequently, while low equity and acreage restrictions were discussed less often.

By recognizing existing credit problems, banks have been able to take several steps—a larger volume of credit, more "carryovers," low number of forced sales, and extensive use in some areas of the correspondent function. These all reflect the desire of bankers to serve the credit needs of farmers who are efficient or show promise of making a contribution to the economic growth of their farm community.



"I'd like some of that stuff that brings nothing but misery and unhappiness!"

-ALI-

Welcome to the Staff!

How to Welcome a New Bank Employee," first in a series of guides to management in improving training procedures, has just been published by the A.B.A. Committee on Employee Training and the Country Bank Operations Commission.

The second manual, "How to Train A Bank Employee," is now in preparation. Others will cover specific job assignments such as bookkeepers, proof and transit clerks, and tellers, says L. M. Schwartz, president of the Citizens State Bank, Paola, Kans., and chairman of the Committee and Commission.

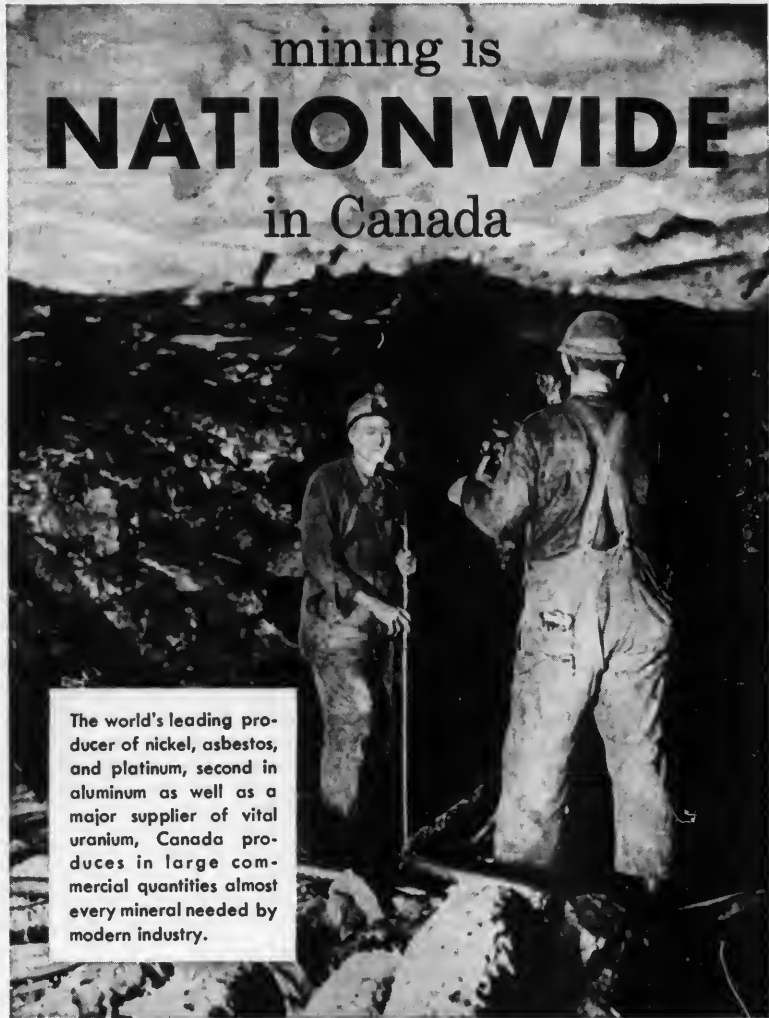
"The most important of all bank assets," the new booklet says, "is its employees. To grow, be profitable, and contribute to the welfare and economic growth of its community, the bank must have competent, well-trained employees.

"A well organized training program will result in a staff which is more productive and operates with a minimum of supervision. Experience has proved that turnover and absenteeism will be reduced, morale and production will increase, and customers will get better service."

"How to Welcome a New Bank Employee" is designed to provide the management of smaller and medium sized banks with practical suggestions for the introduction of new staff members to the individual bank (its services, policies, functions, and employees) and to banking in general. Its objective is to help the bank help the new employee start in the right direction.

The manual contains "a simplified, but complete, step-by-step procedure that can be followed to make certain this important responsibility is being performed adequately and that none of the steps is being overlooked. The basic pattern will work in all institutions. However, individual banks may find it advisable to make certain modifications to fit their situations."

As an aid to smaller banks, the guide includes a check list of topics that could be covered in a personnel policy manual, and a practical approach for its use.



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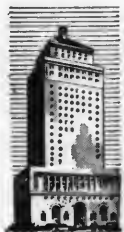
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SHORT-TERM TRUSTS

Situations in Which Creator or Grantor Desires to Retain Some Interests

WILLIAM J. BOWE

This is the seventh in the series of estate planning articles being written for BANKING by MR. BOWE, who is professor of law at the University of Colorado.

THIS and succeeding articles will discuss trusts over which the creator or grantor desires to retain some interests, such as a reversion or possibility of reverter, or some control, such as the power to amend or revoke or the power to direct investments. The problem, always important, of the selection of the trustee in these cases is reserved for a later article. It will be assumed in the trusts discussed in this article that the trustee is a corporate fiduciary and hence neither related nor subordinate as those terms are defined in the Internal Revenue Code Sec. 672(c).

IN *Helvering v. Clifford* 309 U.S. 331, 60 S. Cr. 554 (1940) a grantor declared himself trustee of certain securities owned by him for a term of five years or the earlier death of either himself or his wife. The net income from the trust was to be paid to or held for the benefit of his wife. At the end of the term the securities were to revert to him. He retained, as trustee, broad investment powers. The Supreme Court held the income taxable to the grantor on the theory that he remained the substantial owner of the property throughout the 5-year period. The court stressed the following factors:

- (1) The short duration of the trust.
- (2) The fact that his wife was beneficiary.
- (3) The retention of complete administrative control.

It was not made clear, however, to what extent any one of these factors alone would have caused the income to be taxed back to Clifford. Suppose the trust were to last for 10 years or that the grantor's mother had been named beneficiary or that a bank had been trustee or that all three of these factors had been present? Because of the vagueness of the opinion, the lower courts were swamped with Clifford type trusts and the resulting judicial confusion in the opinions handed down only served to increase litigation rather than clarify the doctrine of substantial ownership. Fortunately, the 1954 Code has attempted to state the applicable rules in fairly precise terms.

INCOME from a trust whose duration is for more than 10 years will be taxed to the beneficiary to whom the income is distributable or taxed to the trustee if it is accumulated, provided there are no retained powers to control the beneficial enjoyment of the income and no retention of prohibited administrative powers (IRC Secs. 671-675). Indeed the tax on the trust income may be shifted even if the duration of the trust is likely to be less than 10 years, provided it is measured by the life of the income beneficiary (IRC 675(c)). Thus a trust for the grantor's mother, aged 88, to last either for 10 years or her life, will satisfy the statute.

There is also a special exception for trusts that last at least two years with specified charities as beneficiaries. (See *BANKING*, May 1957, page 82.)

A gift tax is payable on the creation of a 10-year trust. The value

of the gift is the discounted value of the right to the income for 10 years. This amounts to 29.2% of the full value of the capital transferred. Thus, assume a gift of \$100,000 in securities in trust, income to A for 10 years, corpus to be returned to the grantor at the end of the period. What has been given to A, the 10-year income interest, is worth \$29,200. If A is currently entitled to the income, the \$3,000 annual exclusion (\$6,000, if the donor is married and his wife consents) will be available. If the income is to be accumulated, or may, in the discretion of the trustee, be accumulated, then the gift is of a future interest and the exclusions will be denied. In any event, the lifetime exemption of \$30,000 (\$60,000, if the donor is married and his wife consents) may be used to reduce or, in the case suggested, wholly avoid the payment of any gift tax.

THE short-term trust is an income-tax-saving device. It does not represent a method of avoiding estate taxes. On the grantor's death the full value of his reversionary interest is includible in his taxable estate. If he died the day after the creation of the trust (assuming the transfer was not in contemplation of death), the value of his interest would amount to \$70,800, on the assumed gift of \$100,000. Obviously, this figure will constantly increase as the termination date approaches, since his retained interest becomes more valuable with each passing year. Should he die five years after its creation, the value of his reversion would be about \$85,000. Hence, the short-term trust achieves

(CONTINUED ON PAGE 96)

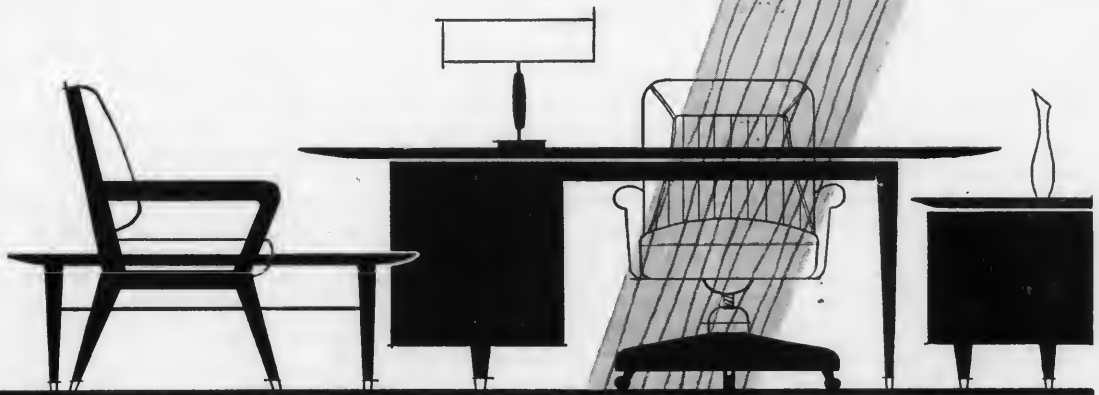
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(CONTINUED FROM PAGE 94)

no substantial estate tax reduction.

The short-term trust does offer very attractive income-tax-saving opportunities to limited groups who have no pressing estate tax problems.

(1) The relatively young man of wealth who is not presently concerned with estate taxes. With 20 or 30 years of life ahead he understandably prefers to delay permanently parting with any substantial portion of his property.

(2) Individuals whose principal source of income is from life interests in trusts or from legal life estates frequently have no estate tax problems, since the capital values producing their income will not be taxed at their deaths.

(3) The high-salaried executive, with limited capital, not only is not troubled by death taxes but will need whatever property he has to supplement his reduced retirement allowances.

But members of each of these groups want the relief from the heavy burden of high-bracket income taxes. For them the short-term trust is tailor-made.

To take a concrete example: Jones is a top executive with salary of \$60,000 and capital assets of \$150,000. He is married and 55 years of age. Once he retires, his capital and the income it produces will be really important to him. But at the moment the heavy income tax drain (\$3,600 after the dividend credit on the \$6,000 his capital produces) is his big concern. He can create three 10-year trusts of his capital, income to be accumulated for his three children or used to pay insurance premiums on policies on their lives, corpus to be returned to him at 65 and the accumulations or the policies delivered to his children. Such a gift has a gift tax value of about \$45,000—well within his and his wife's lifetime exemptions. The trusts over the 10-year period will pay income taxes of \$9,600, whereas if he retained the assets during this period he would pay income taxes of \$36,000 on the income from the trusts alone. Thus he can build for his children a fund of \$50,000 at a net loss of income to him of \$24,000.

Further, Jones has not substantially changed his economic position during the 10-year period. He has,

the moment after the transfer, an indefeasibly vested reversion. It has a present value of 70% of the value of the trust corpus. It is presently usable as collateral and, indeed, may be sold, if necessary. What he has is very similar to the present ownership of a noninterest bearing note, payable 10 years from date.

WHERE the prospective donor owns stock exchange securities there will be no problem. But frequently his sole substantial asset will be the stock of a family business or real estate owned by him and used in his business.

Where his sole asset is such stock he will hesitate to vest control in a corporate trust even for a 10-year period, fearful that the trustee may not always vote the stock for the policies that seem to him to be in the best interests of the business. There are four forbidden powers (IRC Sec. 675) designed to prevent donors from either recapturing the property or retaining control over it:

(1) The grantor may not retain a power nor give a power to a non-adverse party, i.e., any party who does not have a beneficial interest in the trust, that will enable the grantor to acquire the property during the term for less than a fair and adequate consideration.

(2) He may not retain a power to borrow the trust assets without adequate interest or security unless the trustee (other than the grantor) is authorized under a general lending power to make loans to any person without interest or security.

(3) If he has actually borrowed and not repaid the loan within the year the income will be taxed to him. This restriction does not apply, however, to a loan which provides for adequate interest and security and is made by an independent trustee.

(4) He may not retain or give to anyone in a nonfiduciary capacity either a power to vote or direct the voting of stock or to control investments if the holdings of the grantor and the trust are significant from the viewpoint of voting control.

IT is this last prohibition that most commonly causes concern in the creation of these trusts. The donor will hesitate to surrender voting control and this frequently presents a real stumbling block. Not infrequently, however, it may be

overcome by a nontaxable stock dividend of nonvoting common for each share of voting common held. Thus if a grantor owns 60 shares of the 100 outstanding, he will, after such a dividend, own 60 shares of voting and 60 of nonvoting common. He may then transfer the nonvoting common to the trust without any dilution in his voting control.

MAY a donor whose principal asset is real estate used in his business transfer the real estate to a trustee for 10 years and take back a 10-year lease? If so, an easy way of making gifts to the children deductible for income tax purposes is available. Thus, assume Father has been giving Son \$6,000 a year. Can he transfer his property in trust to pay the income to Son for 10 years and lease back the land for a 10-year term at an annual rental of \$6,000 a year?

In Rev Rul 54-9, 1954-I Cum Bull 26, the Service stated that it would deny a deduction for the rent payments in a trust leaseback situation, since the transaction constituted a "transfer in form rather than in substance"; that the grantor would be regarded as the owner of the property for income tax purposes and that the rental payments, when made, would be considered as constituting gifts.

THE cases, however, have sometimes permitted the deduction. Thus in *Skemp v. Commissioner* 168 F2d 598 (C.C.A. 7th) a physician deeded the building in which he had his office to an irrevocable trust for 20 years, leasing the building back for 10 years. The deduction was permitted, the Court stressing the independence of the trustee. (See also *Brown v. Commissioner* 180 F2d 962 (C.C.A. 3d); *Felix v. Commissioner* 21 T.C. 794.) It would seem that a 10-year trust with a 10-year leaseback would be vulnerable as one "in form rather than in substance." But if the grantor has only a 1-year lease, the transfer would then have economic significance. Of course, the grantor would run a risk that an independent trustee might not renew the lease or might exact different terms and conditions.

But the very existence of this risk (frequently not too disturbing) is what would seem to make the transaction safe from attack by the Service. (END)



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BANK LAW NEWS

Practice of Law by Banks—Brief Notes

PRACTICE OF LAW

Bank's salaried attorneys may handle certain legal matters connected with trusts and estates administered by the banks.

THE Superior Court of Connecticut has recognized the right of banks to have their salaried attorneys handle certain legal matters connected with trusts and estates administered by the banks. The court rejected the claim of the Connecticut State Bar Association and another that the banks were engaged in the unlawful practice of law.

The plaintiffs sought a declaratory judgment as to whether certain acts and practices of the defendant banks constituted the unlawful practice of law and a violation of Connecticut Gen. Stat. (1949) §§7638 and 7641, and also sought to restrain the banks from engaging in such acts and practices. The banks, by advertising and distributing literature, gave, without charge, to their customers, prospective customers, and the public, general information on such matters as tax laws, estate planning, trusts, and wills. The banks' trust officers, who were not all attorneys, discussed these matters with their customers and prospective customers. This information was given, and these conferences were held, for the purpose of inducing people to name the banks as executor or trustee in wills or trust agreements. The banks never gave final advice as to what any individual should do, urging their customers to consult with their attorneys concerning their specific problems. No wills or trust agreements were drawn by the banks. Such services were performed for the customers by their

personal attorneys. The banks' trust officers also reviewed, at the request of the banks' customers, the provisions of wills and trust agreements in cases where the banks were named as executor or trustee, or the customers had indicated their intention of naming the banks.

The customers or their attorneys would be advised of necessary or desirable changes, and the re-drafting of the instruments, if necessary, was always done by the customers' attorneys. No charge was made by the banks for these conferences.

IN THE MATTER of the probate of wills in which the banks were named as executor, the preparation and filing of applications for probate and the appearance at probate proceedings and hearings were services often performed by employees who were not attorneys. This was also true of the filing of accounts, inven-

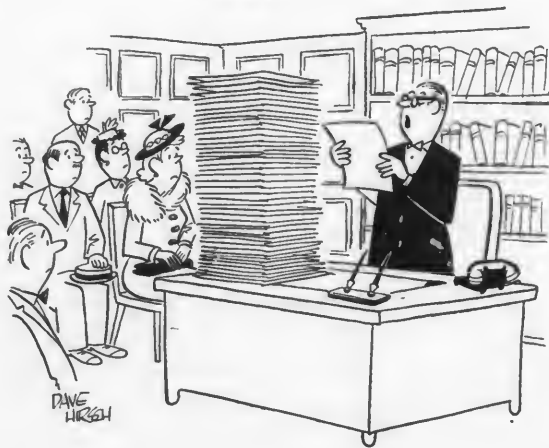
tories, and distributions relating to estates and trusts; the preparation and filing of tax returns; and the compromise of claims of Federal and state tax authorities against the banks as fiduciaries.

WHATEVER CHARGES were made by the banks, as fiduciaries, were in accordance with a fixed schedule recognized by the probate court. No additional charges were made for services performed by their attorney-employees.

The Connecticut statutes, Gen. Stat. (1949) §§7638 and 7641, provide that no person, other than an admitted attorney, shall practice law or plead a case for another; however, he may do so in his own cause. Therefore, the vital question, said the court, was whether the acts performed by the banks were performed "for themselves, as incident-

(CONTINUED ON PAGE 100)

"Volume 1, page 1—I, Herman Bartlett, never having had a chance to open my mouth around home while I was living . . ."



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side independent counsel in those matters." State Bar Association of Connecticut, et al v. The Connecticut Bank & Trust Company and Hartford National Bank & Trust Company (Conn. Super. Ct., Hartford Cty, April 15, 1957).

BRIEF NOTES OF OTHER CASES

Revival of outlawed mortgage. The acceptance by a grantee of a deed containing a recital that title to realty was taken "subject" to a mortgage, which mortgage the grantee had not obligated herself to pay, and on which she had not made any payments on account of principal or interest, was held insufficient to revive a mortgage against which the statute of limitations had run. The court also rejected the contention that the issuance of a fire insurance policy, naming the mortgagees, was an acknowledgment of the validity of the mortgage. *Winter v. Kram* (N.Y. App. Div.) 159 N.Y.S. 2d 417.

Irregular acknowledgments. A mortgage executed by one C. B. Edenfield to E. B. Edenfield, and properly recorded, was held to constitute constructive notice to a subsequent mortgagee despite the fact that the acknowledgment recited that E. B. Edenfield had executed the instrument. The court categorized the insertion of E. B. Edenfield in the acknowledgment as an "obvious clerical error." *Edenfield v. Wingard* (Fla.) 89 So. 2d 776.

Liquidated damages v. penalty. A mortgage note, given to secure the \$20,000 purchase price of certain realty, was drafted so as to include the interest to be earned until maturity, and, as finally drawn, was for \$41,400, to be paid in equal monthly instalments over a period of 15 years, the payments to be applied first against interest due, and the balance in reduction of principal. The note also provided that, upon default, the mortgagee, at his option, could declare the entire amount immediately due and payable "as liquidated damages and not as a penalty." It was held that the acceleration provision of the note constituted a penalty, and would not be enforced as to future unearned interest. *A-Z Servicenter, Inc. v. Segall* (Mass.) 138 N. E. 2d 266.

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BANKING NEWS

New "Accounts Receivable Financing" Manual Can Be Had Upon Request to A.B.A.

Points Out Fundamentals of Sound Procedures; Charts Pitfalls

Accounts receivable financing has become increasingly important among banks as a result of the "notice filing" type of statute adopted in a number of states and as an outgrowth of extensive V-loan financing during World War II, according to the Credit Policy Commission of the American Bankers Association, which has recently completed publication of a new bank manual entitled *Accounts Receivable Financing*. The manual points out some of the fundamentals of sound procedure in this type of lending and charts some of the pitfalls that may be avoided. Copies will be available to A.B.A. member banks on request.

Diversified, Self-Liquidating Paper

Many banks realize that frequently the best and certainly the most liquid collateral a borrower has to offer is a portfolio of well diversified, self-liquidating, current receivables arising from the sale in the ordinary course of business of the borrower's products or services, the manual states. The necessity for the use of these receivables as collateral may well be the result of the growth of the business and does not carry the stigma of unsound management it once did. The faster his business growth, the more money the borrower needs to finance current operations. More and more of his working capital is tied up in accounts receivable, and he is faced with either limiting future growth or finding some means of stretching his borrowing power. It is only logical that receivables should be resorted to for necessary financing.

The Credit Policy Commission of the A.B.A., however, points out that lending on receivables, like other credit extensions, is not free from risk, although the risk can be minimized by following sound procedures. The manual recommends as



At the joint New England and Middle Atlantic regional conference of the National Association of Bank Women in Rochester, N. Y., NABW Vice-president Iweta Miller, seated, assistant vice-president, First City National Bank of Houston; standing, Mildred N. Whitby, Middle Atlantic regional vice-president, and assistant vice-president, The National Bank of Olyphant, Pa.; New England Regional Vice-president Katherine E. Minor, who is assistant branch manager, First National Bank of Boston (Mass. Ave. Branch), and M. Lois Weingartner, chairman of the conference and trust administrator at Lincoln Rochester Trust Company

a first step that the bank "know the borrower." It urges that the bank make a careful check of the business reputation and background of each principal executive of a firm making application for a loan. Mercantile reports, examinations of the books and records of the borrower, and other methods of obtaining complete information should be followed "to be sure you know your borrower."

While the material in the manual is necessarily of general nature, there are special situations requiring departure from the regular procedure. For example, amounts due from state, city, or other public bodies might be governed by statutory provisions and require special treatment. All contracts and orders should be examined to see whether or not they contain special or specific provisions related to the assignment of the amounts due.

Banking Values in U. S. Savings Bonds Outlined by Chairman Bruce Baird

The chief function of the Savings Bonds Committee of the American Bankers Association is to coordinate and implement banking support of the U. S. Treasury's Savings Bonds Program.

Bruce Baird, chairman of the Committee and president of the National Savings and Trust Company, Washington, D. C., stated in the recent report of the Committee that "Savings Bonds do not sell primarily on rate; they sell on other factors, such as freedom from market fluctuations, guaranteed interest over a period of years, indestructibility, ease of purchase, guaranteed redemption values, and the full faith and backing of the U. S. Government."

Bonds' Banking Values

He cited these banking values:

- (1) Savings Bonds promote thrift, including a "promotional bandwagon" for banks aggregating many millions of advertising dollars.
- (2) Savings Bonds provide a strong incentive for the retention of savings. They are the basis for regular saving by millions of individuals, and are directly responsible for billions saved that would otherwise have been spent.
- (3) Savings Bonds bring people into banks—and banks live upon traffic!
- (4) Savings Bonds are a primary reserve in the community which can be useful in time of financial emergency.
- (5) Savings Bonds have been and will continue to be a major factor in the restraint of inflation.
- (6) Savings Bonds help banks become better financial "merchants."
- (7) The public relations value of Savings Bonds is of extreme importance to banks individually and collectively.
- (8) Redemptions of Savings Bonds lead to more savings accounts for banks.
- (9) The Savings Bonds program deserves the support of all of us who value our citizenship in this nation.

Class of '37 Reunion Feature of This Year's Graduate School Session

Reception Will Follow Commencement on June 21

There'll be a 20th reunion at The Graduate School of Banking's 23rd resident session this year—that of the first graduating class, the Class of 1937.

The men will gather for Commencement Day and for the day before. One of their number, John W. Remington, president of the Lincoln Rochester Trust Company, Rochester, N. Y., will be commencement speaker. This year's session at Rutgers State University, New Brunswick, N. J., will be June 10-22, with commencement exercises on Friday, June 21.

Facilities Improved

The reunion is not the only new wrinkle this year. Most of the student body of 1,060 bank officers will be housed in the three new dormitories on the heights overlooking the Raritan River. The physical facilities for the school are thus much improved. For the students, the new dormitories have a lounge on each floor, a picture window in each room affording a fine view, and there's a recreation building with a mammoth lounge, snack bar, and game room. Administrative control and faculty operations are also centralized through moving the students to the new area.

The dormitory buildings also include classrooms suitable for the conference groups which are a new feature at the school this year.

The commencement exercises on Friday, June 21, will take place from 8 to 9 P.M., followed by a reception in The Commons for students, wives, and children. And prior to the exercises, students may have their families dine with them, and there'll be favors for the children.

Curriculum Innovations

For the first time this year, the G.S.B. will have a program of elective lectures in all majors and, at the same time, will inaugurate the use of small discussion groups as a part of the curriculum. Dr. E. Sherman Adams, director of the School, ex-

plains that these groups will be organized by splitting up classes into groups of 25-to-35 students who will meet for informal bull sessions. Plans call for participation in at least two groups of this kind by each student.

Dr. Harold Stonier, dean of the School, has announced that the speakers for the two evening seminars, a regular feature, will be: Dr. W. Randolph Burgess, Under Secretary of the Treasury for Monetary Affairs, and Eric A. Johnston, president of the Motion Picture Associa-

tion of America, Washington, D. C. Dr. Burgess will speak on Friday, June 14; Mr. Johnston, on Wednesday, June 19.

William Powers, the school's registrar, notes one unchanging fact in the School's history—enrolments are again at capacity and with a backlog of bankers waiting for admission. This year's student body, as this is written, consists of 1,060 men from 46 states, the District of Columbia, and Puerto Rico.

The School so far has graduated 4,450 bank officers.

A.I.B. Convention to Be Reported in July Issue

The 55th Annual Convention of the American Institute of Banking was held in Richmond, Va., on May 27 through 31. BANKING's July issue will report this convention.

Developments to be covered in the next issue will include (1) newly elected officers of the Institute; (2) winners of the National Public Speaking Contest for the A. P. Giannini Educational Endowment prizes; (3) winners of the National Debate Contest for the Jesse H. Jones National Convention Debate prizes; (4) winner of the Harold Stonier Award for excellence in A.I.B. graduate work; (5) and the three chapters winning the publicity awards for excellence in their respective classifications.

Leroy S. Clark, vice-president of the Marine Midland Trust Company of New York, New York City, was the 1956-57 president, and George Clark, assistant vice-president, Security-First National Bank of Los Angeles, was vice-president. Since George Clark was the only nominee

for the 1957-58 presidency of the Institute, it was expected he would succeed Leroy S. Clark in that office.

Gerald E. Hayes, assistant vice-president, The National Shawmut Bank, Boston, was the only candidate for the vice-presidency.

Under the revolving plan governing the election of members of the Institute's Executive Council, four new members are elected each year. This year there was no contest. The four nominees were E. Floyd Gurney, assistant treasurer, County Bank and Trust Co., Paterson, N. J., nominated by Passaic County Chapter; Marshall C. Tyndall, Sr., vice-president, Equitable Security Trust Company, Wilmington, Del., nominated by Wilmington Chapter; William J. Garrison, assistant vice-president, The Denver National Bank, nominated by Denver Chapter; and C. Gordon Dodd, assistant vice-president, Pacific National Bank, Seattle, Wash., nominated by Seattle Chapter.

Left to right:
Gerald E. Hayes,
Leroy S. Clark,
George Clark



E. F. Gurney

W. J. Garrison

M. C. Tyndall, Sr.

C. G. Dodd

Mexico-U.S.A. Have Common Stake in World Prosperity, Erle Cocke Tells Bankers

Association Head Addresses Mexican Bankers Association

"The principal message I would like to leave with you is that we have a common stake in world prosperity," Erle Cocke, president of the American Bankers Association, said in an address before the annual convention of the Mexican Bankers Association in Veracruz. "Since prosperity is in many respects synonymous with confidence," he said, "we must constantly evaluate our domestic and international policies in terms of their effects upon confidence."

Continuing, Mr. Cocke said that "the ultimate purpose of any economic activity is the satisfaction of human material wants. The peoples of the world are searching for higher living standards, and they seem to want them now—not a decade or a century from now. The extent to which they are successful will continue to depend upon their ability to produce, since they can consume only what they produce—directly or in trade with others."

President Cocke pointed out that "from the viewpoint of Mexico and our other friends all over the free world, a very significant development is that in recent times the consumption-investment balance in the United States has been materially affected by the worldwide emphasis upon economic growth and rising standards of living. Our prosperous economy has been characterized recently by (1) an unprecedented flow of income that has greatly enlarged consumer demand, and (2) strong pressures for capital investment of all kinds from both domestic and overseas sources. These conditions have produced keen competition for credit. Of course, we could have gone the inflationary route; but like other nations, we have recognized that we would have to face the prospect of ultimate economic stagnation that is always bred by severe inflation."

"The pursuit of anti-inflationary policies naturally has not been popular with all groups. There is always some one who considers his

Joe Welman Tells of A.B.A.-State Bankers Ass'n Plans to Expand and Strengthen Bank Public Relations Aids



Erle Cocke



Joseph C. Welman

interests injured if conditions prevent him from getting what he wants, and when he wants it. This is being reflected on both the monetary and fiscal fronts in my country. Some groups have been quite vocal in opposition to monetary restraint. At the same time, there have been strong demands from many sides for Government expenditures. Nevertheless, our monetary authorities have continued to resist pressures against credit restraint as long as an inflation danger exists."

State Bank Supervision Study Developed by A.B.A., State Bank Supervisors

A new study—*State Bank Supervision*—prepared by the State Bank Division of the American Bankers Association includes information developed by the Division and the National Association of Supervisors of State Banks.

The objective of the study is to highlight areas of strength and weakness in the state-chartered banking system in the hope of straightening out some of the weaknesses, particularly those affecting the state supervisory agencies.

This study was made primarily for the benefit of the state bankers associations and others who are interested in strengthening the state supervisory departments. Copies have been sent to state secretaries and other state bankers association officials.

A. K. Davis, chairman of the board, Wachovia Bank and Trust Company, Winston-Salem, N. C., is president, and Walter B. French, A.B.A. senior deputy manager, is secretary of the State Bank Division.

Bankers in Missouri were urged recently to carry on better customer and public relations programs for the benefit of banking as a whole. Joseph C. Welman, vice-president of the American Bankers Association, and president of the Bank of Kennett, Mo., speaking before the annual convention of the Missouri Bankers Association in Kansas City, said that the A.B.A., in cooperation with the state bankers associations, is hard at work on a program to expand and strengthen banking activities in the field of public relations on a permanent and sound basis, to expand and strengthen relationships with both Federal and state governments and supervisory authorities, to improve continually banking services to the public, and to develop more qualified executives. All of these things are being done with a general objective of making banks useful to more and more people.

In this program, Mr. Welman stated that the individual banks, with their millions of customer and public contacts are playing a big part. "We are vitally interested in the success of bank relations with people," Mr. Welman said. "Our general goal is improved and enlarged understanding of banks and banking, with resulting public confidence, respect, approval, and support. You can help achieve better understanding by taking banking's message to the community—to its clubs, societies, associations, schools, and forums.

"That there is need for better understanding is evident," Mr. Welman continued. "We are all vitally concerned with the issues of monetary policy. The policies pursued by the Federal Reserve to regulate the flow of credit affect everyone, directly or indirectly. This subject has not received the high degree of public understanding and cooperation that it requires. We as bankers can and should make a substantial contribution to this better understanding."

In the course of his remarks, Mr. Welman reviewed the purposes, programs, and objectives of the A.B.A. and their relationship with state associations and individual banks.

Economic Problems of World Now Arise from Competition, Growth, Says A.B.A. Special Activities Advisory Group

Favorable trends in international economic developments during recent years have carried the world economy to a point where its problems are no longer concerned with reconstruction, according to the Advisory Committee on Special Activities of the American Bankers Association. William A. Mitchell, president of The Central Trust Company, Cincinnati, and chairman of the Committee, made the report on international economic relations of the United States to review trends in the world economy of interest to A.B.A. member banks. *The report is being made available to the membership on request through the Association's office, 12 East 36 Street, New York 16, New York.*

The report says that now that the recovery from World War II is complete, the economic problems the world must now face are mainly related to the old concomitants of

economic normalcy, which are competition and growth.

It is pointed out that "one of the most important economic events in many years has been overshadowed by the Suez crisis. This is the agreement of France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg to form what has come to be known as the European Common Market. Under the terms of the agreement, the six nations will seek over a 12-year period to eliminate customs duties, quotas, and other barriers to the free movement of goods, capital, and workers within the six-nation area. . . .

"The Common Market and the affiliated territories have a population of about 180-million, rivaling that of the United States and of the Soviet Union. . . .

"From the point of view of American exports, it does not seem likely that the formation of the Common Market will have a depressive effect."

Study of State-Supervised Banks Shows Earnings Are Improved; Credit Needs Met

26th Annual Study Is Made By A.B.A.'s State Bank Division

Loans and discounts held by the 9,440 state-supervised banks amounted to \$62,367,707,000 at the close of business in 1956, according to the 26th Annual Study of Assets and Liabilities of State Banks, which has just been completed by the State Bank Division of the American Bankers Association. This figure represents a gain of \$5,386,301,000 or 9.5% during the year, and is generally taken as being indicative of the credit services supplied by banks to meet the needs of their local communities. Last year, the banks earned \$5.50 per \$100 of loans and discounts, compared to \$5 in 1955. They were able to pay dividends of \$3.25 against \$3.10 and at the same time put a total of \$292,479,000 of net earnings into capital.

Annually, the Committee on State Bank Research of the State Bank Division of the A.B.A. publishes *The Condition and Operation of State*

Banks, which contains studies on the assets and liabilities and the earnings and expenses of the state banking systems. Members of the Committee include Harry Eaton, president, Twin Falls (Idaho), Banks and Trust Company, *chairman*; J. R. Meek, president, Security Bank, Ponca City, Okla.; and Harry O. Nichols, chairman of board and president, Southern Bank of Norfolk, Norfolk, Va.

The 26th Annual Study of Assets and Liabilities covers 9,440 state-supervised banks, which are divided into two major categories: (1) the 8,913 state commercial banks including loan and trust companies, private banks, stock savings banks, industrial banks, and cash depositories; and (2) the 527 mutual savings banks which are located in 17 states.

The 23rd Annual Study of Earnings and Expenses covers only state commercial banks, numbering 8,890.

The increased capacity of the state banking systems to provide for the credit needs of their communities reflects their excellent condition, shown by reports from the 48 states and the District of Columbia.

30 Banks in 16 States Join Association in April

Thirty banks and branches in 16 states joined the American Bankers Association during April, according to the monthly report of Frank W. Thomas, chairman of the Association's Organization Committee. Mr. Thomas is president, Washington Loan & Banking Company, Washington, Ga. The new A.B.A. members are:

ARIZONA: First National Bank of Arizona, Casa Grande Office, Casa Grande*; Bank of Douglas, Peoria Branch, Peoria*, and 19 Avenue & Osborn Road Branch, Phoenix*; Valley National Bank, St. Johns Office*, and Speedway-Swan Office, Tucson*.

CALIFORNIA: Santa Monica Commercial & Savings Bank, 33 & Pico Boulevard Office, Santa Monica*, and City National Bank of Beverly Hills, Lincoln Center Office, Venice*.

COLORADO: Rocky Mountain Bank, Lakewood*.

FLORIDA: Marathon State Bank*.

GEORGIA: Bank of Forest Park*.

ILLINOIS: Kewanee National Bank and Old Orchard Bank & Trust Company, Skokie*.

INDIANA: Peoples Loan & Trust Company — Farmland, Modoc, and Ridgeville branches; and Kennard State Bank.

KENTUCKY: Bank of Farmington; Hartford Deposit Bank; Bank of Lowes; and Citizens Bank, Water Valley.

MARYLAND: Farmers & Mechanics-Citizens National Bank of Frederick, Shopping Center Office.

MASSACHUSETTS: Woburn Five Cents Savings Bank.

MICHIGAN: Roscommon State Bank, Mio Office.

NEW JERSEY: Suburban Trust Company, Garwood Branch, Garwood; Peoples National Bank, Livingston Avenue Office, New Brunswick*; and Somerville Trust Company, Bridgewater Office, Somerville*.

NEW YORK: Franklin National Bank, South Farmingdale Office*.

OHIO: Second National Bank of Warren, Parkman Road Branch*.

OREGON: Citizens Bank of Albany*.

WEST VIRGINIA: City National Bank of Charleston*.

* Recently organized

Fed on Financing Cars

PART IV, the sixth book in the Federal Reserve System's national survey of consumer instalment credit for 1954-55, has made its appearance. This one is concerned with *Financing New Car Purchases*.

This survey made use of two sources of information for individual credit transactions—personal interviews with the buyers themselves and reports from the lending institutions financing buyers' purchases.

The survey included personal interviews with a representative national sample of over 4,600 buyers of new cars in 1954 and 1955, including about 3,000 credit buyers. It also included reports from the lending institutions involved in over 5,700 credit purchases of new cars, including 2,750 transactions for which the buyers also were interviewed.

A liberal use of tables enlivens the text in this sixth volume. The study is divided into six chapters, the general headings of which are: (1) New car purchases, 1954-55. (2) Credit and cash purchases. (3) Credit purchases: amounts and sources of funds. (4) Credit terms in new car instalment contracts. (5) Repayment experience on credit purchases. (6) Attitudes and plans in 1956 of 1954-55 new car buyers.

There's also a section on "Major Findings." We'll quote here just a couple of findings of unusual interest.

"New car buyers were asked in mid-1956 about their reactions to their auto transactions. The great majority of both 1954 and 1955 buyers reported that they were satisfied with their 'deals,' and over two-fifths said they had made 'particularly good deals.' Credit buyers expressed doubts more often than cash buyers and the proportion of dissatisfied credit buyers was greater among those who had the more liberal terms."

Here's something interesting: "In considering possible future purchases . . . many credit buyers expressing forward financing prefer-

ences were disposed toward cash purchases, and many who looked to credit financing were hoping to use shorter maturities than in their 1954 or 1955 purchase."

And, finally, this one: "For the new automobile market in 1955, credit factors were plainly of great importance in determining the volume of buyer demand. With credit commitments of new car buyers averaging one-third of their annual income, with the interval between purchase of new cars on credit reduced, with low downpayments and long maturities typical, and with many buyers reporting themselves reluctant to incur again long-period car-purchase debt, there is real question whether credit purchases of the 1955 magnitude can be repeated soon."

"How to Buy a New Car"

BOUND into the May issue of *Popular Science* is the second special supplement in its reference library series—this one concerning itself with "How to Buy a New Car."

J. Andrew Painter, left, vice-president in charge of the personal credit department of The First National City Bank of New York, cuts birthday cake celebrating the department's 29th anniversary, as President James S. Rockefeller looks on. In those 29 years the bank extended 8,428,000 personal loans for a total of \$3,896,000,000



This handy reference includes sections on: when to buy; to trade or not?; be a shopper; bargaining pointers; options and extras; picking your dealer; the cost of credit; "no downpayment"; read the small type; how to figure interest; insurance; the final accounting; a glossary; shopper's check list.

Art By Instalment: Dentures, Too

THE Western Pennsylvania National Bank, McKeesport, is making available credit loans for the purchase of works of art at a "favorable interest rate."

President M. A. Cancelliere developed the plan for nonrecourse loans with the Pittsburgh Plan for Art, a nonprofit organization that promotes the sale of fine art objects in much of the area served by the bank.

The art objects do not become security for the loans. The Pittsburgh Plan for Art interviews prospective purchasers and guarantees the information and signatures submitted. But the PPA doesn't have to make good any bad loans. The minimum loan is \$75.

The bank has also a dental loan program which in its first six months of operation made more than 800 loans. The minimum loan here is \$75 also, and here's how it works. Dentists who use the plan have the patient make out a loan application which is sent to the bank where references are checked and the loan either granted or rejected.

If approved, the dentist gets his money immediately and the patient makes time payments. All loans for this program are of the nonrecourse type—the dentist is not obligated to pay the bank in the event the patient defaults.

The bank has set up a small reserve fund with the Lower Monongahela Valley Dental Association. In the event of a default, the association makes good with the money in this fund. When the fund reaches a certain amount, excess money will be turned over to the association treasury.

Rules for Loan Officers

EDWARD F. GEE has drafted **Eleven Rules for Loan Officers.** Mr. Gee, who is vice-president and secretary of State-Planters Bank of Commerce & Trusts, Richmond, Va., wrote out his rules for the *Monthly Letter* of the Carolinas - Virginia Chapter, Robert Morris Associates. They made such a hit that they were reprinted in full in the *Robert Morris Associates Bulletin*.

Leonard Christie, managing editor of the *Bulletin*, in granting BANKING the opportunity to make use of this material, writes that this "should become 'must' reading for every loan officer and credit man in the country."

We reprint here all of Mr. Gee's "rules," but we're forced to omit the valuable fuller explanations which accompany each one. We'd suggest you write Robert Morris Associates* for the full text.

(1) Condition yourself to look

upon each loan request as a challenge and an opportunity—not a chore.

(2) Don't pre-judge or pre-evaluate but listen attentively, intelligently, understandingly, and sympathetically.

(3) Don't pretend to have knowledge you don't have or about which you are doubtful.

(4) Keep pushing yourself back from the details (though they must be covered) in order to stand off and view the credit as a unified whole.

(5) Remember that, with respect to a loan, it's not simply "how good" but also "how liquid."

(6) Don't commit yourself prematurely before getting all the facts, considering all the aspects, and deliberating adequately.

(7) Don't attribute the dirty work to "the loan committee" or "the board" or "the bank" or "the head office."

(8) Never apologize or beat around the bush when, after mature

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deliberation on all the facts, you have to turn down a loan request or lay down a requirement or rate you suspect will be unhappily received.

(9) Accept full responsibility and make decisions promptly on your own when you know you have all the facts, have considered all aspects of the case, and have sound reasons for the decisions you make.

(10) When you have concluded from the facts and your deliberations that you are going to say "yes," say it ungrudgingly.

(11) Don't place too much dependence on any set of rules like this.

*Leonard G. Christie, managing editor, Bulletin of Robert Morris Associates, Philadelphia National Bank Building, Philadelphia 7, Pa.

Savings

State-Planters Sells 3%

THE State-Planters Bank of Commerce and Trusts in Richmond, Va., featured an Indian exhibit at a Junior Chamber of Commerce Car-

Miss Christman graciously poses as 'Pocahontas' and a visiting Jaycee poses as 'Powhatan' in the State-Planters' thrift exhibit, which was a feature of Richmond's Junior Chamber of Commerce Carnival



nival which tied in the bank's promotion of 3% interest paid on savings accounts with Virginia's promotion of the Jamestown Festival.

"Each business represented by membership in the Chamber was asked to provide a display," reports Advertising Manager Virginia O. Valentine. "A local display artist was commissioned to fashion a life-size 'Powhatan' beside which a real, live 'Pocahontas' would stand and be photographed. For further interest it was decided to have the face of 'Powhatan' cut out so that Jaycee members could have their photographs taken, without charge, with cameras provided by the bank.

"State-Planters' Jaycee members were present in the role of hosts and photographers. Judy Christman, one of our pretty girls with dark skin and hair was a natural choice to portray a lovely Indian maiden."

Signs attached to a teepee in front of the exhibit carried this message: "State-Planters Take-um picture, no wampum" . . . "If wampum needed, see State-Planters" . . . "If have wampum make-um 3% at State-Planters."

Names of the bank's Jaycee members—Douglas Chapman, Jr., James C. Harlan, and John McElroy, Jr.—were shown at top of exhibit.

N. Y. Mutuals Go to 3 1/4%

SINCE Governor Averell Harri-man vetoed a "sleeper" bill passed by the New York State Legislature in its closing days which would have limited mutual savings banks to a 3% dividend rate on all accounts less than two years old, some New York mutuals have raised their rate to 3 1/4%.

Before moving to the higher rate other New York mutuals are carefully considering what if any action they will take.

Job for Banks

"THE day-to-day job of promoting and channeling savings for economic growth rests with private financial institutions," Dr. Grover W. Ensley, executive vice-president, National Association of Mutual Savings Banks, said in an address before the 37th annual conference of the association in Buffalo, N. Y. At the time

• NEWS •

he spoke, Dr. Ensley was executive director, Joint Economic Committee of the U. S. Congress.

"Public policies in a free society," he said, "contribute significantly to setting the climate in which savings and investment decisions are made. Within this setting, private financial organizations must assume a great deal of responsibility in shaping savings and investment patterns."

Banks Face Two Threats

"EVEN if the volume of savings is sustained and increased in the future, savings bankers have reasons to fear that a smaller share of such savings will flow into savings accounts," said Dr. Jules I. Bogen at the 64th annual meeting of the Savings Banks Association of the State of New York.

Dr. Bogen is professor of finance at the New York University.

He expressed the view that "so long as serious doubts exist whether inflation constitutes a real long-term threat to the purchasing of the dol-



A miniature salt shaker, inscribed with the motto "Salt and Save," was included in a display to encourage savings in the main lobby of The Summit Trust Company, Summit, N. J. A poster forming a portion of the exhibit was illustrated with a picture of Mrs. Rita Robison, of the bank's Securities Department, and her four children shopping for salt at a local supermarket. Bank personnel inspecting the display are Gunnel Svensson, F. Ludvick Hellquist, and Mrs. Robison

lar, rather than boom conditions, savings banks must stress the safety of savings accounts as compared with the many risks and uncertainties that attend equity investment, especially at the current advanced level of stock prices. But if the battle against inflation should prove a losing struggle, which is possible, savings bankers would have

to give serious thought to adapting their service to equity investment.

"The inflation threat will bear close watching and calls for a great deal of circumspection. Premature action by savings institutions to turn to equity investment on a large scale could add to inflationary pressures by fostering a boom in the stock market."

Housing and Mortgages

House's Housing Bill

THE Housing bill passed by the House on May 9 represents a compromise between the Raines bill (H.R. 6659) and the Talle bill (H.R. 7024), recommended by the Administration.

The new bill lowers downpayment requirements on FHA loans; increases FNMA authority to purchase mortgages; increases the interest rate on college housing to 3½%; and authorizes FNMA to purchase insured and guaranteed loans in emergency areas at 100.

Delinquencies

AS of March 31, 1957 mortgage loan delinquencies once again showed

a downward trend, according to the Mortgage Bankers Association of America. MBAA's current survey reveals the lowest first quarter national delinquency percentage in the past four years.

The current 2.09% over-all delinquency figure is second only to the all-time low of 2.01%, established on June 30, 1955.

VHMCP Support Sought

A RESOLUTION calling upon banks which are leaders in the mortgage credit field to support the Voluntary Home Mortgage Corporation Program in 1957 by making at least one loan through the VHMCP was adopted at a recent meeting of the A.B.A. Committee on Real Es-

tate Mortgages and approved by the Executive Committee of the A.B.A. Savings and Mortgage Division.

The opinion was expressed by the Committee that the success of this endeavor would produce substantial benefits for the entire banking industry.

New Housing Starts

NONFARM housing starts for the first four months of 1957 totaled 305,000, compared with 363,500 for the first four months of 1956, according to estimates by the U. S. Department of Labor's Bureau of Labor Statistics. This represents a decline of 16%.

The seasonally adjusted annual rate of private starts, based upon

the first four months of the year, is estimated at 940,000 by the USDA.

Final reports for 1956 show a total of 1,118,100 nonfarm dwelling units started during the year. Total volume was 16% lower in 1956 than in 1955.

Sharpest cutbacks in homebuilding in 1956 were in the metropolitan areas, where housing starts were down 20% compared with only 4% in the nonmetropolitan areas.

Prefab Housing

THE prefabricated home manufacturing industry started 94,791 units in 1956, according to a nationwide study just completed by the Prefabricated Home Manufacturers' Institute.

This production amounted to 10% of the 990,000 single family starts last year, and about 8% of the 1,118,100 starts of all types, according to Conrad Harness, PHMI executive vice-president.

Redfield Article Reprints

A SERIES of three articles entitled "Restrictive State Laws Obstruct a Healthy Building Industry," by John J. Redfield, appearing in the

Residential Mortgage Holdings of Major Lenders

(In millions of dollars)

Year	Savings & loan assns.	Life insurance cos.	Mutual savings banks	Commercial banks
Total residential				
1956	4,162	2,665	2,148	1,137
1955	4,997	2,656	2,357	1,736
1954	4,005	1,999	1,877	1,227
1953	3,354	1,513	1,451	737
FHA-insured				
1956	87	259	226	255
1955	233	279	350	454
1954	124	104	311	194
1953	144	331	321	237
VA-guaranteed				
1956	773	1,244	1,455	209
1955	1,170	1,431	1,511	361
1954	742	1,083	1,209	289
1953	585	213	816	49
Conventional				
1956	3,302	1,162	467	673
1955	3,594	946	496	922
1954	3,139	812	357	744
1953	2,625	969	315	450

NOTE.—Figures for savings and loan associations represent loans on 1- to 4-family nonfarm houses only, which include over 95% of their residential loans. Data are from Federal Home Loan Bank Board, Federal Deposit Insurance Corporation, and Federal Reserve. Figures for 1956 for commercial and mutual savings banks and for life insurance companies are preliminary estimates made by Federal Reserve.

Source: April 1957 Federal Reserve Bulletin.



Mortgage money exhibit in the offices of the New York State Banking Department during Open House Week at the State House in Albany. This special observance was set up by Governor Harriman to encourage the people of New York State to visit the various departments to obtain a better understanding of the operations of their state government

February, March, and April issues of **BANKING** have been reprinted. Reprint copies are available upon request to the Savings and Mortgage Division, A.B.A., 12 E. 36th Street, New York 16, N. Y.

Mr. Redfield is a member of the law firm of Cadwalader, Wickersham & Taft, New York City.

FNMA Purchases Pass Billion Dollar Mark

REFLECTING last winter's tight money market for home mortgages, the Federal National Mortgage Association in a brisk first quarter added 33,845 mortgages valued at \$388,000,000 to its rapidly expanding secondary market operations program portfolio which now totals more than a billion dollars.

This was revealed in a report and financial statement covering operations for the first three months of this year, released by FNMA President J. Stanley Baughman.

Simultaneous with the release of his report, Mr. Baughman predicted "an easing" in the market for residential mortgage money.

FNMA buys only VA-guaranteed or FHA-insured mortgages in the secondary or resale market and according to the report the agency has been purchasing GI loans at a slightly higher than a three to one rate over FHA mortgages. Of the 96,563 mortgages worth \$1,048,371,000 purchased since the Secondary Market Operations program was

launched two and a half years ago 22,425 were FHA-insured and 74,138 VA-guaranteed.

Interest Rate Easing Foreseen by T. E. Lovejoy

MY guess is that, barring war or a national catastrophe, there will be some easing in interest rates during the last half of this year, which could cause some easing in mortgage rates, said Thomas E. Lovejoy, Jr., president, The Manhattan Life Insurance Company, New York, N. Y., at the annual meeting of the National Association of Mutual Savings Banks in Buffalo, N. Y.

Mr. Lovejoy said that he does "not see any signs of a return to the easy rates we have had in recent years. I believe there has actually been established a new pattern, or perhaps I should say the old traditional pattern, of relatively high interest rates which will be with us for many years, due to the need for savings to finance the mechanization and modernization of plant and machinery to increase productivity in order to offset increased costs and wages. My guess is that there will be fluctuations within this pattern of relatively high interest rates for a long time to come."

Shortage in 1960s Forecast

MAKE no mistake about it—our population is growing faster than

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the vision of our leaders; there are 170,000,000 people in America today; 4,200,000 babies are joining the American family each year; about 1,600,000 young couples are getting married each year, and we are producing fewer than 900,000 new homes to house them, said George S. Goodyear, Charlotte, N. C., builder and president of the National Association of Home Builders, before the annual meeting of

the National Association of Mutual Savings Banks in Buffalo, N. Y.

"By 1965," Mr. Goodyear said, "our population will hit a new high of 193,000,000 and there will be no 'postponing' the storm. If some home building is not unshackled now, the 1960s will see the worst housing shortage in all our history."

Urban Renewal Assistance

AN offer to explore any feasible plan that could lead to increased participation by private enterprise in the field of urban renewal was made by Housing Administrator Albert M. Cole at the NAMSB meeting.

"All available forces, local as well

as Federal, have to be exerted on the problem," he added, "using many types of approach."

Housing's Strength

"I DON'T know any better indicators of good mortgage business than declining vacancies, rising incomes, and an increase in the rate of family formation. I am confident that these forces will be strongly reasserting themselves, once the flow of mortgage funds is effectively re-established. Better times are definitely ahead." This was the conclusion drawn by JOHN J. AUSTIN, Jr., president, Mortgage Bankers Association, at the MBA's Eastern Conference.

Trust Services

PBA Trust School

AN OUTLINE of classes for the first Pennsylvania Bankers Association Trust Training School, to be held June 23-29 at Bucknell University, Lewisburg, has been announced. William E. Abel, director of the school, is vice-president and trust officer, Barclay-Westmoreland Trust Co., Greensburg. Associate director of the school is Walter A. Brunke, trust officer of the Fulton National Bank of Lancaster.

The complete course consists of 30 hours of lecture-type classroom instruction.

This school, the first of its kind, has been organized for the purpose of expediting the training of trust personnel in the senior clerk or junior officer category. The school will be conducted on a 3-year cycle. The first year will be devoted entirely to "Trust Operations." During the next two years, the curriculum will cover investments, taxes, trust administration, and trust development.

The school is coeducational, and registrants must have one year's trust department or banking experience, or experience which is judged equivalent.

Canadian Quotes

THE relationship between lawyers and trust companies has changed somewhat in the last 50 years in Canada, according to E. C. Leslie, Q.C., president of the Canadian Bar Association, in a dinner address to the annual meeting of the Trust Companies Association of Canada. "The lawyer-executor," he said, "is a much rarer person than he was a half century or even a quarter century ago. Such a change is not unfavorable from the lawyer's standpoint. This is the age of specialization. With the impact of increased taxation, of generally larger estates, or greater necessity for wider investments which can be made only by persons in a position to study investment conditions, the task of administering an estate of any size or complexity is of necessity one for the specialist. The trustee must work within strict confines, and it is creditable to the trust companies of Canada that their adherence to these rigid and uncompromising principles has so seldom been questioned."

At a meeting of the Ontario Section of the Association, W. A. Bean, Waterloo Trust and Savings Company, called for further efforts to bring about amendment to the Trustee Act of Ontario to authorize investments of trust funds in certain common and preferred shares of Canadian corporations. The Nova

Some 450 ladies hear talks by trust officers in recent finance forum of the First National Bank of Chicago. This, the first one, was so successful the bank plans to hold additional forums for women throughout the year



NEWS



Republic National Bank of Dallas has taken to the billboards to advertise its trust services. Here George J. Watts, left, v.p. in charge of ads and publicity, examines new sign with R. R. Ferguson, v.p. and trust officer, and R. J. MacBean, v.p. and senior trust officer

May in New York by Kennedy Sinclair, Inc., trust advertising and sales training specialists.

The varied program covered almost all aspects of pension and profit-sharing selling and administration, including the advantages of such programs, the growing market among smaller firms and among unions, trustees' fees, tax aspects, pooled funds, the investment of funds, and advertising to get qualified leads.

New Book on Wills

YOUR FAMILY WITHOUT YOU. By *N. R. Caine*. Crown Publishers, New York. \$4.95.

The author, a leading tax expert, points out the necessity of making a will to ensure maximum income and protection for a family. He explains why you should make a will, and how.

The author says that "family problems take as many shapes and forms as there are families and individual members of these families. One thing only is certain, there are going to be problems. . . . There is no set, universal approach to your family's problems—your plan must be custom fitted. . . . Your will is a cooperative duet between yourself and your lawyer."

Scotia legislature recently had approved this type of investment for estates and trust funds.

"More for Your Money" With Short-Term Trusts

HAROLD O. LOVE, Detroit attorney, has published a booklet telling how to get "More for Your Money" with short-term trusts.

Without permanently relinquishing the control or the use of income-producing assets, an affluent taxpayer can finance one or more of the following objectives at less cost by means of a short-term trust, he points out.

- (1) Create an educational fund for his children and grandchildren.
- (2) Create an independent estate for his wife, children, and grandchildren.
- (3) Support his dependent relatives.

(4) Provide income for his children and grandchildren in early family years, after their marriage.

(5) Replace estate shrinkage to his estate caused by loss of marital deduction as a result of his wife's death prior to his own.

(6) Provide funds to children, to facilitate payment of estate taxes due upon his death or upon the subsequent death of his wife.

The 16-page booklet, which summarizes the main point with regard to short-term trusts, is published by Charles D. Spencer & Associates, Inc., 180 W. Adams St., Chicago 3. The price, three copies for \$1.

62 at Pension Seminar

TWENTY-THREE states and the District of Columbia were represented by the 62 bankers who attended the 3-day Pension and Profit-Sharing Seminar conducted in early

CALENDAR 1957

JUNE							JULY							AUGUST							SEPTEMBER							OCTOBER							NOVEMBER							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
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30													28	29	30																											

American Bankers Association

- June 10-22 Graduate School of Banking, Rutgers University, New Brunswick, N. J.
- Sept. 22-25 83rd Annual Convention, Atlantic City
- Oct. 10-11 Western Regional Trust Conference, Multnomah Hotel, Portland, Oreg.
- Nov. 21-22 Mid-Continent Trust Conference, Jung Hotel, New Orleans
- Nov. 21-23 National Agricultural Credit Conference, Morrison Hotel, Chicago

State Associations

- June 3- 5 Alaska, Mt. McKinley Park Hotel, Mt. McKinley National Park
- June 4- 6 Kansas Bankers' Bank Management Clinic, University of Kansas, Lawrence
- June 7- 8 Connecticut, Equinox House, Manchester, Vt.
- June 7- 8 South Dakota, Alex Johnson Hotel, Rapid City
- June 7- 8 Nevada, Reno

(CONTINUED ON PAGE 112)

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|---------------------|---|----------------------------|---|
| June 9-12 | Idaho, The Lodge, Sun Valley | Other Organizations | |
| June 11-12 | Minnesota, Hotel St. Paul, St Paul | June 2-15 | School of Banking of the South, Louisiana State University, Baton Rouge |
| June 11-14 | Nebraska Bankers Bank Management Conference, Crete | June 9-14 | Consumer Credit Management Program, under auspices of Graduate School of Business, Columbia University, Arden House, Harriman |
| June 12-16 | Dist. of Col., The Greenbrier, White Sulphur Springs, W. Va. | June 16-21 | Ohio School of Banking, Ohio University, Athens |
| June 13-15 | Montana, Canyon Hotel, Yellowstone National Park | June 19-22 | American Industrial Bankers Association, Sheraton-Park Hotel, Washington, D. C. |
| June 13-15 | Virginia, The Homestead, Hot Springs | June 20-21 | 11th Annual Convention Savings Banks Insurance Forum of the State of New York, Thousand Islands Club, Thousand Islands, N. Y. |
| June 14-15 | *New Hampshire, Wentworth - by - the-Sea, Portsmouth | June 23-29 | School of Mortgage Banking: Courses 1 and 2, Northwestern University, Chicago, Ill. |
| June 14-15 | *Savings Banks of New Hampshire, Wentworth-by-the-Sea, Portsmouth | June 30-
July 6 | School of Mortgage Banking: Course 2, Northwestern University, Chicago |
| June 14-15 | Vermont, Equinox House, Manchester | July 14-16 | Central States Secretaries Conference, French Lick-Sheraton Hotel, French Lick, Ind. |
| June 16-18 | Utah, Ben Lomond Hotel, Ogden | July 28-
Aug. 3 | School of Mortgage Banking: Course 1, Stanford University, Stanford, Calif. |
| June 16-18 | Washington, Chinook Hotel, Yakima | July 28-
Aug. 10 | NABAC School for bank auditors and comptrollers, University of Wisconsin, Madison, Wisc. |
| June 17-19 | Wisconsin, Schroeder Hotel, Milwaukee | Aug. 4-10 | School of Mortgage Banking: Course 2, Stanford University, Stanford, Calif. |
| June 17-
July 13 | Michigan Bankers School of Banking, University of Michigan, Ann Arbor | Aug. 4-16 | School of Consumer Banking, University of Virginia, Charlottesville |
| June 19-21 | New York, Lake Placid Club, Lake Placid | Aug. 25-
Sept. 26 | Pacific Coast Banking School, University of Washington, Seattle |
| June 20-21 | Savings Banks of New Jersey, Monmouth Hotel, Spring Lake | Aug. 26-
Sept. 7 | Central States School of Banking, University of Wisconsin, Madison |
| June 20-22 | Michigan, Sheraton-Cadillac Hotel, Detroit | Sept 29-
Oct. 3 | Financial Public Relations Association, Edgewater Beach Hotel, Chicago, Ill. |
| June 20-22 | Wyoming, Jackson Lake Lodge, Moran | Oct. 6- 9 | Robert Morris Associates, Shoreham Hotel, Washington, D. C. |
| June 21-23 | Maine, Poland Spring House, Poland | Oct. 7-10 | National Association of Bank Auditors and Comptrollers, 33rd Annual Convention, Atlanta - Biltmore Hotel, Atlanta, Ga. |
| June 23-25 | Oregon, Multnomah Hotel, Portland | Oct. 7-10 | National Assn. of Bank Women, Annual Convention, Sheraton Plaza Hotel, Boston, Mass. |
| June 23-29 | Pennsylvania Bankers Trust Training School, Penn State University, University Park | Oct. 23-26 | Consumer Bankers Association, 37th Annual Convention, The Claridge, Atlantic City |
| July 8-12 | North Carolina Bankers Association, Carolinas Bankers Conference, University of North Carolina, Chapel Hill | Nov. 4- 7 | Mortgage Bankers Association of America, 44th Annual Convention, The Statler-Hilton, Dallas, Texas |
| July 18-20 | West Virginia, The Greenbrier, White Sulphur Springs | | |
| Aug. 18-23 | Pennsylvania Bankers Summer School, Penn State University, University Park | | |
| Sept. 5- 7 | Savings Banks of Maine, Balsams Hotel, Dixville Notch, N. H. | | |
| Sept. 9-12 | Vermont-New Hampshire School of Banking, Amos Tuck School, Hanover, N. H. | | |
| Sept. 12-14 | Savings Banks of Massachusetts, Poland Spring House, Poland Spring, Maine | | |
| Sept. 20-21 | Savings Banks of New Hampshire, Fall Meeting, Sunset Hill House, Sugar Hill | | |
| Oct. 10-12 | Nebraska, Paxton Hotel, Omaha | | |
| Oct. 13-15 | Kentucky, Brown Hotel, Louisville | | |
| Oct. 14-15 | Savings Banks of Connecticut, Mountain View House, Whitefield, N. H. | | |
| Oct. 18-19 | New Hampshire (Fall Meeting), Mountain View House, Whitefield, N. H. | | |
| Oct. 20-23 | Iowa, Fort Des Moines Hotel, Des Moines | | |
| Nov. 13-14 | Savings Banks of New York, Fontainebleau Hotel, Miami Beach | | |
| Nov. 15-17 | Arizona, Arizona Biltmore, Phoenix
*Joint meeting | | |

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

DECEMBER	1958 JANUARY 1958	FEBRUARY	MARCH	APRIL	MAY
S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S
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How Banks Can Help

The President's People-to-People Program

LAST fall President Eisenhower assigned to all of us, as individuals, a role in promoting international peace through better understanding among the peoples of the world on a person-to-person basis. The President proposed large-scale development of people-to-people contacts by independent private groups and institutions and by millions of individual citizens. Through such contacts, which can be effected in a variety of ways, President Eisenhower looks for better international understanding and progress toward peaceful solution of international problems.

The American Bankers Association is among the numerous organizations and committees which have undertaken to further the President's aim either through direct contacts by members with individuals in foreign countries or in other ways. A special committee of the A.B.A. to promote this program was appointed last year by the then president, Fred Florence of Dallas, Texas. The Committee on Foreign Banking Relations has prepared this statement for distribution to members of the A.B.A. in the hope that it will assist all who can do so to contribute to the citizens' hands-across-the-seas movement. The more individual contacts there are between ourselves and people of other nations, the better they will understand us, and we them.

Of Charles Lamb, famous English essayist, it is told that one day he was walking with a friend along a London street when he said something to this effect: "Do you see that man walking on the opposite

side of the street? Somehow I don't like him."

"Who is he"? Lamb's friend inquired.

"I don't know who he is," the writer answered, "but I see him often on this street."

"Well, how can you dislike someone you don't know?" Lamb's companion asked.

To this the author replied: "It's precisely because I don't know him that I feel I don't like him."

So it is with individuals and with nations. President Eisenhower's advice to us and to all may be paraphrased succinctly in three words: "Know thy neighbor."

Here are some suggestions as to what banks can do to promote this new program:

Within the Bank—Inform all officers and employees of the nature of the President's program and what they as individuals can do. This may be done by circulating this statement through the bank and by posting it on a bulletin board.

In the Community—You can help the program by describing it in your local newspaper, radio, and TV advertising. Another way is to hold a luncheon or dinner at which one or more qualified speakers discuss the subject. Your board of directors also can be very helpful, as individuals, in making the President's program known in the community. If you use a postage meter, a suitable slogan may be incorporated with little cost or trouble.

Banker-to-Banker—If you use correspondent banks abroad you may build goodwill by:

- Offering to subscribe to **BANKING** and **BANKING'S NEWSLETTER** for your correspondent.

- Sending regularly any monthly economic letter that is issued by your bank.

- Remembering them with a Christmas card mailed in time.

- Mailing them your annual reports.

- Having your officers call on them whenever they happen to be

(CONTINUED ON PAGE 116)

The Bankers' Committee on Foreign Banking Relations

Chairman: FRED F. FLORENCE, chairman of the executive committee and chief executive officer, Republic National Bank of Dallas

S. CLARK BEISE, president, Bank of America NT & SA, San Francisco

LLOYD D. BRACE, president, First National Bank, Boston

ERLE COCKE, vice-chairman of the board and chairman of the executive committee, Fulton National Bank, Atlanta

KEEHN W. BERRY, president, Whitney National Bank, New Orleans

S. SLOAN COLT, chairman of the board, Bankers Trust Company, New York

SIDNEY B. CONGDON, chairman of the board, The National City Bank of Cleveland

KENTON R. CRAVENS, president, Mercantile Trust Company, St. Louis

ROBERT V. FLEMING, chairman of the board, The Riggs National Bank, Washington, D. C.

JAMES M. KEMPER, chairman of the board, Commerce Trust Company, Kansas City

W. A. KIRKLAND, chairman of the board, First City National Bank, Houston

HOMER J. LIVINGSTON, president, The First National Bank of Chicago

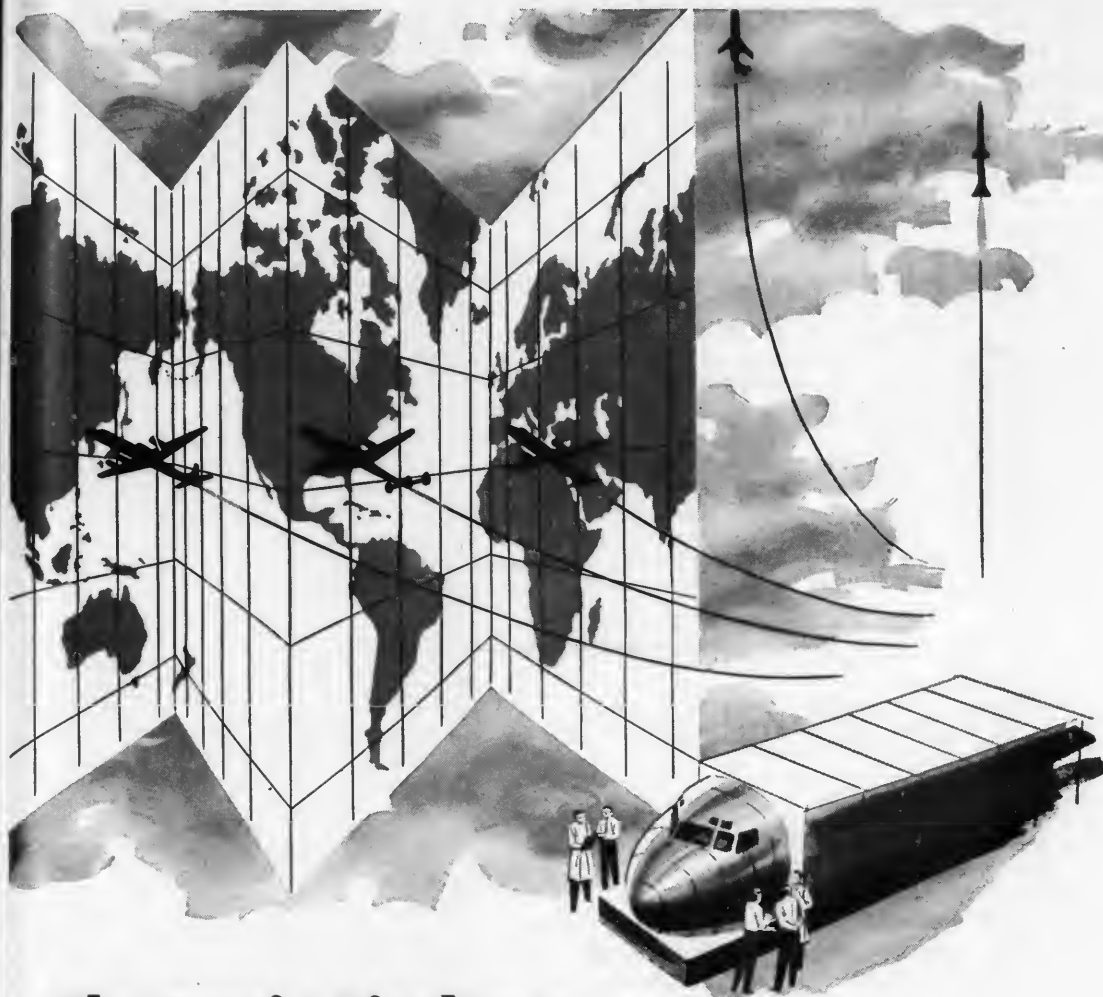
FREDERIC A. POTTS, president, Philadelphia National Bank

JOSEPH F. RINGLAND, president, Northwestern National Bank of Minneapolis

EARL B. SCHWULST, chairman of the board and president, Bowery Savings Bank, New York

JAMES E. SHELTON, chairman of the board, Security-First National Bank of Los Angeles

HOWARD C. SHEPARD, chairman of the board, The First National City Bank, New York



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Throughout the world, flights in electronic Simulators—which never leave the ground—enable crews who will soon command undelivered aircraft to fly them in advance electronically . . . guide them over specified courses through precision instrumentation . . . land them on strange airports . . . readying for the day when they will fly the actual aircraft.

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(CONTINUED FROM PAGE 114)

in their country on vacation, with extra vacation time or other compensation allowed for such visits.

- Inviting their officers to call on you when in the U. S. and entertaining them on such occasions; also facilitating business appointments and sightseeing trips.

- Expressing an interest in receiving their annual reports and bank letters, if any. (Some foreign bank letters are very informative as to conditions abroad; and outside English-speaking countries a number of banks publish English translations of their periodic letters.)

- Inviting foreign correspondent bankers to your bankers convention.

- Interchanging employees occasionally, where your business ties are sufficiently important.

- Arranging an exchange-visit of

your son or daughter with the son or daughter of your correspondent banker abroad.

- Encouraging American officers and employees of your overseas branch offices to have social contacts with the people of the country.

- Supplying your foreign branch offices with technical, cultural, news, and other periodicals with a view to their being made accessible to the customers and the local community.

Travel and Reading

Apart from the above suggestions as to what you as a banker can do to further President Eisenhower's idea—and we have no doubt that you can improve upon our list—you can do as an individual citizen anything that any other citizen can do.

You can, for example, travel abroad yourself, broadening your knowledge of foreign nations and

international relations. And take along the family, where possible.

Also you can perhaps increase your reading of foreign periodicals and books about foreign countries. While reading alone is not a substitute for travel, it can be a very important supplement to travel.

Reading can increase your knowledge of the world, but it cannot increase the world's knowledge of you and your country. Correspondence, however, and foreign travel can do this. The Chinese say, "A picture is worth 10,000 words." But a personal visit is worth 10,000 pictures.

There's nothing like seeing for oneself: seeing, getting acquainted, getting to know and be known. With more knowledge and understanding there will be less international suspicion; for, as Charles Lamb implied, how can you hate a man if you know him?

Types of Funds for Tax & Loan Accounts

THE types of funds which may be deposited in tax and loan accounts have been listed for BANKING by C. Edgar Johnson, chairman of the American Bankers Association's Committee on Federal Fiscal Procedures and vice-president, The First National Bank of Chicago.

(1) Special depositaries are permitted to make payment in the form of a deposit credit in their tax and loan account for the purchase price of United States Government obligations purchased by such banks or trust companies for their own account or for the account of their customers, who enter their subscriptions through these banks or trust companies, when this method of payment is permitted under the terms of the circulars inviting subscriptions to such issues.

(2) Special depositaries are permitted to establish deposit credit on their books for funds representing certain types of Internal Revenue taxes. At the present time the following types of Internal Revenue taxes may be deposited in tax and loan accounts:

(a) Income and Social Security employment taxes withheld by employers.

(b) Railroad retirement taxes withheld by employers.

(c) Federal excise taxes as follows:

(1) Safe deposit boxes
(2) Transportation of oil by pipeline

(3) Telephone, telegraph, radio, and cable messages and services

(4) Transportation of persons

(5) Admissions, dues, and initiation fees

(6) Gasoline, lubricating oil, and matches

(7) Sales by the manufacturer

(8) Sales by the manufacturer of pistols and revolvers

(9) Processing of certain oils

(10) Sales by the retailer

(11) Manufacturer of manufactured sugar

(12) Transportation of property

(13) Diesel fuel

(d) During some quarterly tax payment periods checks of \$10,000 and over, representing payment of corporation and individual income taxes, are deposited with Federal Reserve banks and under a procedure which has been worked out with such banks either a portion or all of the funds are credited in the tax and loan account of the banks on which the checks are drawn.

Banking School

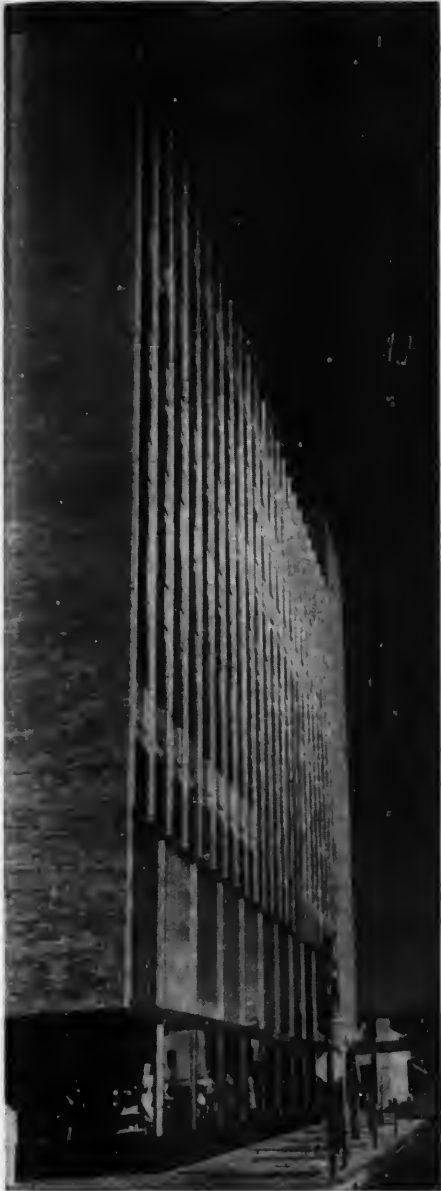
THE Dallas Clearing House Association is to sponsor the Southwestern Graduate School of Banking, at Southwestern Methodist University.

Establishment of the new school was announced by Fred F. Florence, president of the Dallas Clearing House Association and chairman of the executive committee of the Republic National Bank of Dallas.

The school will schedule classes for bankers during summer months,

along lines similar to those of other graduate schools of banking, Mr. Florence said, mentioning those at Rutgers State University, the University of Wisconsin, and Louisiana State University.

A special clearing house committee for the school comprises Eugene McElvaney, senior vice-president of the First National Bank, Dallas, and chairman of SMU's board of trustees' executive committee; Milton Brown, president of the Mercantile National Bank; and DeWitt Ray, senior vice-president of the Republic National Bank.



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For Growing Banks

and

Banking Growths

Colorado Credit Life pays the debt when your borrowers can't . . . it takes care of those touchy collection problems when a borrower becomes disabled or deceased.

Credit Protection

- For your bank
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- ✓ Credit Insurance tailored for every type bank loan.
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- ✓ Representatives to serve you in every major city and area.

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**DEBT
CANCELLATION**

COLORADO INSURANCE COMPANY

COLORADO CREDIT LIFE

A Country Bank Auditor's Timetable

MR. COLLINGWOOD is auditor of Bristol County Trust Company, Taunton, Mass.

CHARLES M. COLLINGWOOD

THE audit program presented in this article is the result of much study, consultation, and research. It has the approval of our board of directors and the supervisory authorities, and is here offered to all country banks so that they may benefit from our experience.

Prior to placing the program in operation we had an audit system, but it became necessary to revise certain procedures so that all the auditor's duties would be covered. Accordingly, we studied the systems of many country banks, combining with our own the outstanding features of each. Then we made further studies, including conferences

with other auditors, and finally completed our program.

In reporting on his audit to the directors, an auditor uses any of several methods. Our directors favor the report in narrative form. The supervisory authorities in our district suggested that an "auditor's timetable" be incorporated in the report submitted to the board; in the report to be recorded the dates the work was done.

During the examination of the report the dates listed in the timetable are compared with those in the report to make sure that they are identical. The table is prepared

on a sheet with 13 columns, one for each month and one for the number of times each year a particular account is to be audited. The name of the account is recorded in the item space. The timetable is examined periodically by the directors' auditing committee to make certain that the program is being kept up to date.

The Auditor's Reports

In our bank the auditor reports directly to the board, submitting a complete review of his activities every six months. In addition, reports of certain findings are made more often, even monthly if necessary. These reports state what accounts were audited, when the work was done, what procedure was followed, and the conclusions.

The Audit Schedule

Item	Procedure	Prepared or Audited*	Item	Procedure	Prepared or Audited*
Due from banks	Accounts reconciled	M		Refigure and check interest received	M
	Balances verified by correspondence	Q		Refigure and account for accrued interest paid	Q
Loans and discounts	Notes listed and proved		Overdrafts	Review	W
	Time secured and unsecured	Q	Cash items	List and examine	M
	Demand secured and unsecured	Q	Local exchanges	Send out under seal	Q
	FHA Title 2 (commercial)	Q	Equipment, banking house, vaults	Add, prove, see vouchers for charges	Q
	Real estate (commercial)	Q	Expenses paid	Add, prove, see vouchers for charges	M
	FHA Title 2 (savings)	Q		Check closing entries to Profit & Loss	Q
	Real estate (savings)	Q			
	Instalment loans	Q	Building expenses paid	Add, prove, see vouchers for charges	M
	FHA Title 1	Q		Check closing entries to Profit & Loss	Q
	Notes examined	D	Interest paid	Add, prove, check closing entries	Q
	Collateral examined	SA	Revenue stamps	Verify by count	Q
	Loans verified by correspondence	40% A	Tellers shorts and overs	Prepare schedule	M
	Collateral verified by correspondence	40% A	Cash	Verify by count	Q
	Discount and interest refigured	D	Tellers, vault custodian, discount clerk, Instalment Loan Dept.		
	Rebates refigured	D	Prepaid insurance	Add, prove, see vouchers, check transfers from expense	Q
	Real estate loan payments	M		Examine policies	A
	Interest on real estate loans	M	Accrued interest paid on bonds purchased	Add and prove	Q
	Advance payments on taxes	M			
Investments	Held by others in safekeeping—verify	Q			
	Prepare lists showing par, book, market values	Q			
	Refigure purchases and sales	Q			
	Refigure and check to Profit & Loss	Q			
	Add control accounts and account for entries	Q			

* M, monthly; Q, quarterly; D, daily; SA, semi-annually; W, weekly; A, annually.

Item	Procedure	Prepared or Audited*
Capital stock	Examine certificate books, add ledger	SA
Surplus fund, guaranty fund	Audit	A
Dividend checks	List paid checks and account for unpaid checks	Q
Profit and loss	Add and prove, account for closing entries transfers and all other entries, and prepare schedules	Q
Reserve for dividends	Add, prove and account for all transfers	Q
Reserves for bond contingencies, taxes, losses instalment loans, losses real estate loans	Add, prove and account for all transfers	Q
Interest and discount	Refigure and check to records:	
	Interest and discount on loans	D
	Interest on investments	M
	Amortization on bond premiums	M
	Interest on real estate loans	M
	Add and prove accounts	M
	Check closing entries to Profit & Loss	Q
	Refigure rebates	D
Miscellaneous income	Review accounts for charges	M
	Check box rents to records	M
	Prepare list of overdue box rents	M
	Add and prove accounts	M
	Check closing entries to Profit & Loss	Q
Unearned discount	Add and prove accounts	M
instalment loans and FHA No. 1 loans	Account for transfers from interest and discount	M
	Account for transfers to interest and discount	Q
Demand deposits	List and prove ledgers	Q
	Verification by mailing statements	M
	Reconcile internal checking accounts (Trust Dept., Savings Dept., accounts trustee, inactive accounts, tax & loan account, dealers reserve, Series E Bond account)	M
Checkmaster accounts	List and prove ledgers	Q
Demand & time certificates of deposit	List outstanding checks and prove totals to general ledger. Account for all checks consecutively numbered either as being paid or still outstanding	M
U. S. Savings Bonds redemption checks		
Treasurer's checks		
Expense checks		
Instalment Loan Dept. checks		
Personal money order checks, certified, personal gift checks	List and prove outstanding checks	M
FHA escrow accounts	Add, prove and see vouchers	Q
Advance payments on taxes	Add, prove and see vouchers	Q
Savings deposits	List cards in Savings Department	Q
	List and prove ledger cards	3 times annually
	Verification by outside auditor	1/3 annually

Item	Procedure	Prepared or Audited*
	Examine, list and prove deposits	D
	Examine, list and prove withdrawals	D
	Control posting machines	D
	Examine and control closed account cards	D
Incompleted loans	Add, prove, see vouchers	Q
Mortgage appraisal fees	Add, prove, see vouchers	Q
Write-offs equipment	Check distribution of depreciation to items. Add and prove and account for transfers on	
Write-offs banking house	account of depreciation	Q
Write-offs vault		
U. S. Savings Bonds	Verify by actual count and by correspondence with Federal Reserve bank	SA
Travelers cheques	Count and verify total on hand with the issuing company	SA
Time clocks on cash vault	Wind and set	D
Burglar alarm	Test two stations	M
Dates on tellers machines	Verify correctness	D
Certify dates on deposit slips		Q
Trust Dept. assets	Examine	SA
	Prepare list showing book and market value	SA
Trust Dept. income, disbursements	Check to records	SA
Trust Dept. ledger and journal	Add, prove, prepare trial balance and statement	SA
Trust Dept. accountings	Audit prior to filing	When ready
New loans on real estate	Examine insurance policies, applications, mortgages; check notes to cash book	3 times annually

"On this, your 40th anniversary with the firm, Hashagen, it gives us great pleasure to present you with something you've gazed at longingly through the years—the office clock"



INDEPENDENT BANKERS MEET

MORE than 1,000 of the Independent Bankers Association's 5,086 members in 20 states attended the organization's 23d annual convention in Miami Beach, April 24-27. The former date was that of the executive council meeting, which was followed by three days of sessions for all members attending.

The executive council discussed a proposal for IBA sponsorship of a School for Advanced Management at the Harvard School of Business Administration, a report on which was made by Reed H. Albig, chairman of the IBA Committee on Succession of Bank Management and president of the National Bank of McKeesport, Pa. It was decided to poll the association's membership to determine the degree of interest. Other executive council discussion was concerned with IBA policy on savings and loan associations, Federal branch banking moves, and proposed nationwide advertising and public relations projects.

Presiding at the convention was Joseph V. Johnson, president of the Johnson County Bank, Tecumseh,

Nebr., who was ending his year in office. In his address he said: "Independent banking faces a more critical situation than it has ever faced before. . . . We can soberly rejoice over the passage of the Holding Company Bill. It was indeed a victory for us. . . . However, we must take great care in our exhilaration over the passage of this legislation. . . . myriads of detailed aspects of this bill are not in complete accordance with what seems necessary to us in such legislation."

Message from A.B.A.

Greetings from the American Bankers Association and a talk on relationships between the two associations were given by A.B.A. Vice-president Joseph C. Welman, president of the Bank of Kennett, Mo. Stating that most far-sighted bankers recognize the dangers of permitting concentration of banking in too few hands, Mr. Welman said: "If such concentration should proceed to the point where the banking system is in the hands of only a few large banks or groups, the fatal step toward nationalization or socializa-

tion of our banking system will have been accomplished. That such a move would stop there and leave undisturbed the remainder of our economy and political system can be accepted by only the most naive."

Another speaker who pointed out the bank merger danger to our economic system was Dr. Walter Adams, professor of economics at Michigan State University, East Lansing.

The subject of bank defalcations was discussed by Harold J. Bacon, executive vice-president of the Home State Bank, Crystal Lake, Ill. Mr. Bacon, who is also vice-president and a director of the Bank-Share Owners Advisory League, an organization of banks combatting the embezzlement menace, pointed out that public reaction to record embezzlement losses during the past year may prove to be one of the greatest threats to the nation's smaller banks.

New Challenges

Governor J. L. Robertson of the Federal Reserve Board stated that the increasing gross national product will bring new challenges to banks, which will have to use to the fullest new technological methods for handling checks, provide for greater borrowing needs, increase earnings to attract more capital, and bring into banking a higher percentage of the most intelligent young people.

Representative Emanuel Celler of New York, speaking on "The Trend Toward Monolithic Banks," criticized the policies of Comptroller Ray M. Gidney and outlined an amendment to the antitrust laws which he may sponsor, which would give bank merger jurisdiction to Federal supervisory agencies, who would seek the Attorney General's views on anti-trust implications in each case. The latter would have enforcement jurisdiction.

Gaylord A. Freeman, Jr., vice-president of The First National Bank of Chicago, and L. Shirley
(CONTINUED ON PAGE 122)

IBA officers for the coming year include, left to right, seated: Second Vice-president O. K. Johnson, First Vice-president R. E. Gormley, President R. L. Mullins; standing, Secretary Ben DuBois, Assistant Secretaries Howard Bell, Bill Kirchner



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requires
modern
protection**

If you have not reviewed your protection lately, perhaps your coverage is getting dangerously low or new hazards are putting you out on the limb. Regardless of whether the problem is large or small, you'll find a practical, efficient solution in a Federal Banker's Blanket Bond. Our years of experience, our

broad, intimate knowledge of protection techniques, our proven ability and complete facilities, plus a willingness to apply fresh thinking to unusual circumstances, are your assurance of the best in protection. It is the reason more and more banks are insisting on Federal.

FEDERAL INSURANCE COMPANY



Into which has been merged

THE UNITED STATES GUARANTEE COMPANY

CHUBB & SON, Managers

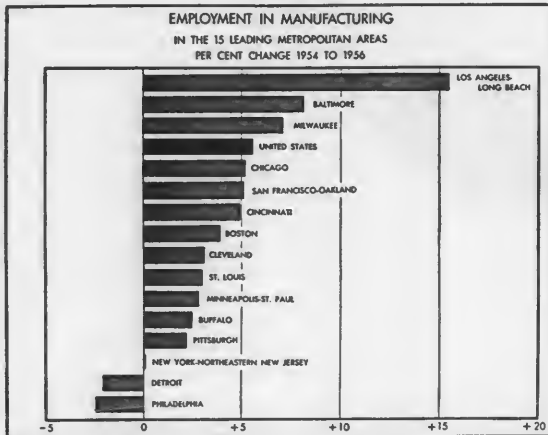
90 John Street, New York 38, N. Y.

BUSINESS CONDITIONS IN SOUTHERN CALIFORNIA

RESEARCH DEPARTMENT



CONDENSED SUMMARY



LOS ANGELES AREA CONTINUES AS THE FASTEST GROWING INDUSTRIAL CENTER IN THE NATION

Since the 1954 Census—as well as in prior years—the Los Angeles area has maintained its position as the fastest growing major industrial center in the United States. It has shown larger numerical gains in factory employment than any other area, regardless of size; it has shown the largest percentage gains of any of the 15 leading metropolitan areas.

Prior to Korea, the Los Angeles-Long Beach Metropolitan Area ranked 5th among the metropolitan areas of the nation in manufacturing employment. It passed the Philadelphia area in 1952 and the Detroit area in 1954. Now solidly entrenched in 3rd place, it is gradually drawing closer to 2nd place Chicago.

The 1947 Census revealed that manufacturing employment in the Los Angeles area amounted to 37.95% of the Chicago area's. The ratio climbed to 58.68% in 1952 and to 72.02% in 1956, according to the U. S. Bureau of Labor Statistics. If relative trends of the past 9 years—or of the past 4 years—continue, the Los Angeles-Long Beach Metropolitan Area will pass the Chicago Metropolitan Area in factory employment by 1965. Whether this will actually materialize cannot, of course, be foreseen. But obviously the trends bear watching.

MONTHLY SUMMARY OF BUSINESS CONDITIONS IN SOUTHERN CALIFORNIA, from which this material was taken, is published regularly for friends and customers of Security-First National Bank by our Research Department. If you would like to receive it free of charge regularly, write Bank and Customer Relations Department.

RESOURCES OVER 2 BILLION DOLLARS



MEMBER FEDERAL RESERVE SYSTEM • MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

(CONTINUED FROM PAGE 120)

Tark, president of the Main State Bank, Chicago, discussed competition from savings and loan associations. They were both concerned with the discrimination against banks in tax matters compared with the more favorable treatment of savings and loan institutions.

Harry J. Harding, president of the First National Bank of Pleasanton, Calif., and honorary president of the Independent Bankers Association of the 12th Federal Reserve District, spoke at the final session. He said that independent bankers are fighting on three fronts and must act quickly (1) at the national level to get desired legislation, (2) at the state level to prevent extension of branch banking areas and to obtain legislation, and (3) at the banking level to obtain more members for the IBA.

One change adopted in the association's regulations would permit an independent bank to become a member even if it has branches.

Resolutions adopted by the convention would:

(1) Provide mandatory representation on the board of the FDIC for state-chartered banks.

(2) Require public hearings and advance public notice on applications for new banks and branches.

(3) Require Congressional action to correct the tax inequalities between banks and savings and loan associations.

(4) Oppose the draft plan for payment of insurance premiums.

(5) Approve bills for a graduated income tax to aid small business.

(6) Give encouragement to organization of state chapters of independent bankers.

A resolution was also passed expressing regret at the recent death of Maple T Harl, former FDIC chairman and board member.

The association's officers for the year now beginning are: *president*, R. L. Mullins, president, Wolfe City (Texas) National Bank; *first vice-president*, R. E. Gormley, vice-president, Georgia Savings Bank & Trust Company, Atlanta; *second vice-president*, O. K. Johnson, president, Whitefish Bay (Wisc.) State Bank; *treasurer*, A. W. Hoese, president, Security State Bank, Glencoe, Minn.; *secretary*, Ben Dubois, Sauk Centre, Minn., with assistants Bill Kirchner and Howard Bell.



13 MILLION GALLONS BIG... BUT JUST A DROP IN THE BUCKET

The ESSO WASHINGTON is the newest of the 110 ocean-going tankers in the Esso fleets. She can carry 13 million gallons of oil. But that's just a drop in the bucket compared with the 40 billion gallons that Jersey Standard affiliates delivered to customers last year.

As economies expand . . . as populations grow . . . as people live better, oil must provide more energy to power factories, to drive ships and planes and motor vehicles, to heat and light homes and offices. Last year we supplied more than twice the oil we did ten years ago. This year our customers will need still more.

It's a big job . . . and it requires vast amounts of costly equipment. As our Annual Report points out, we spent \$1,083,000,000 last year searching for oil and gas and paying for such things as tankers, pipelines and refineries. And in 1957, we plan to spend another \$1,250,000,000 to find, produce and deliver the oil people will

be needing tomorrow . . . and ten and twenty years from now.

Because Jersey Standard is willing and able to make such investments and because our operations are efficient, we make a profit. In 1956 it was \$808,535,000. About half of it went back into the business to help pay for the new facilities.

Our successful year was good news for the 403,000 shareholders who own the company . . . they got dividends of \$2.10 per share on the money they invested.

It was good news for our 156,000 employees . . . whose wages and benefits came to \$906,000,000.

It was good news for governments. Operating and income taxes, import duties, con-

sumer taxes and other payments from our operations brought to the United States and other governments a record \$2,171,000,000. That was five times the dividends to shareholders, more than double the payroll and benefits to employees.

Best of all, our operations were good news for the people of the free world, who rely heavily on the energy of oil for their economic and social progress.

In this, our 75th anniversary year, we intend to continue our efforts to remain successful, profitable and growing, in order to serve people well.

If you would like a copy of our 1956 Annual Report, write us at Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.



STANDARD OIL COMPANY (NEW JERSEY)
AND AFFILIATED COMPANIES

producing energy for an abundant life



largest
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use Peoples First
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Many of America's largest companies call upon Peoples First for every type of banking service in the Pittsburgh area.

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**PEOPLES FIRST
NATIONAL
BANK & TRUST
COMPANY**



Pittsburgh 30, Pa.
Member F.D.I.C.

Operating Shortcuts

(CONTINUED FROM PAGE 53)
customer could reconcile his bank statement. On the reverse of this sheet was a sample reconciliation form. The bank also supplied some data on a typical checking account, asking the customer to attempt the reconciliation and return the form to the bank. As a reward, customers able to complete the reconciliation correctly got a small prize.

After the promotional effort, the bank submitted its monthly statements with the reconciliation form printed on the reverse.

"An important aspect of its method of reconciliation is the fact that when the customer completes it he does not come up with an arbitrary set of total figures, but with the actual checkbook balance that he should have which compares with the true balance from the bank statement," said Mr. Coen.

"Quality Control" Instalment Loan Posting. The Torrington (Conn.) National Bank and Trust Company has developed a "one-write" form which provides the following copies: register, accrual copy, borrower's index, dealer copy, ledger card.

A column is provided for new proof pickup on the ledger card. This suggests the possibility of using what is referred to as "quality control" posting. In this system, which can be used with any ledgers in which the accounts are numbered, a proof balance factor is established which consists of the dollar balance plus the account number.

A typical posting operation, Mr. Coen explained, involves the following steps:

(1) The old proof balance is picked up from the ledger card. This is entered in the machine as a minus figure.

(2) The old dollar balance is picked up. This is entered as a plus figure.

(3) From the media (in this case the coupon) the account number is picked up and entered plus.

(4) At this point the machine cross-feets. If the correct old balance has been picked up, and the correct card selected for the coupon, a zero proof will be printed.

(5) The posting continues in conventional manner.

(6) When the new balance is extended, the machine automatically computes a new proof balance factor by adding the account number entered earlier from the coupon to the new dollar balance extended, creating the new factor.

Machine Computed Service Charge and Account History Card. The Ocean National Bank of Kennebunk, Me., has developed a form used in figuring the service charge fees on its checking accounts in connection with a bookkeeping machine.

The operator mentally computes the earnings credit and enters it in the machine. The operator then puts in the machine the number of on-us checks, deposits, and transit items. The machine does the rest of the operation automatically, multiplying the unit fee times the number of items, adding the maintenance factor which is locked in the machine, subtracting the earnings credit, and showing the resultant net service charge. The complete computation takes one line of posting, permitting this record to serve as an account history record, since both the front and the back of the form are used.

8 Embezzlement Preventives

EIGHT ways to protect a bank against the would-be embezzler were offered to the NABACers by J. Charles McKee, Jr., auditor, First National Bank, Miami, Fla.:

(1) Place all dormant accounts under strict control, and have an established procedure for transferring them to the control.

(2) Use direct verification in all phases of the bank's operation.

(3) Have a good system of internal control.

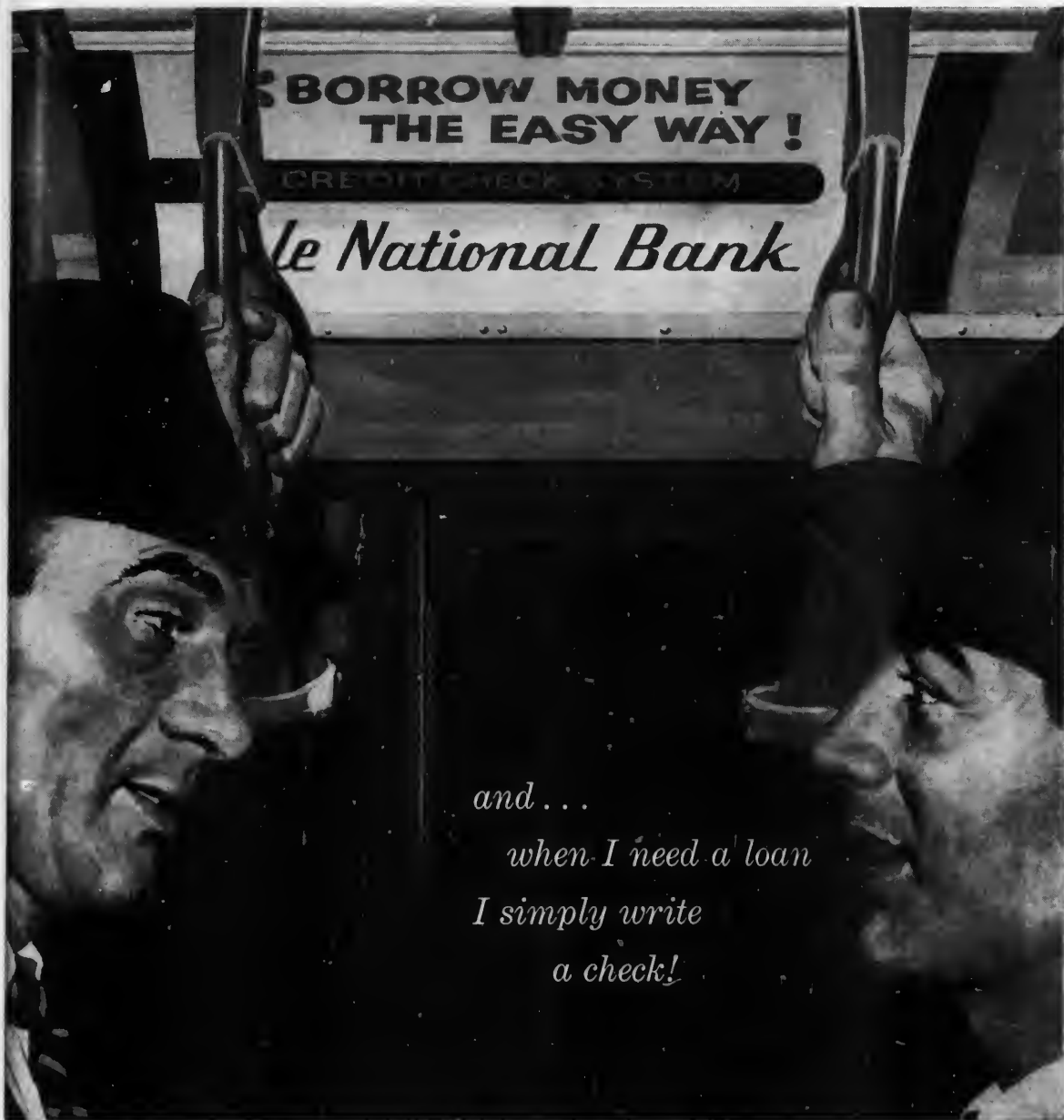
(4) Screen applicants carefully.

(5) Have the element of surprise in your internal audit program. Increase the frequency of audits.

(6) Give tellers the attention and protection necessary.

(7) Advertise your audit program.

(CONTINUED ON PAGE 127)



and . . .

*when I need a loan
I simply write
a check!*

IMPROVE SERVICE ON PERSONAL LOANS WHILE SLASHING OPERATING COSTS!

More and more banks are turning to the advantages of revolving credit...now available through the new Remington Rand CREDIT CHECK SYSTEM. Already established, this system is growing in popularity because it slashes costs for banks while pleasing the customers!

For the BANK it means...ONE application, ONE investigation, ONE approval...No Disbursement Problem - customer checks become an item on the account...All Documents In One Place In The File - saves up to 75% on space (plus fire protection for records at point-of-use)...Minimized Collections - customer receives statement shortly before each payment is due...Trial Balances are a by-product of posting.

For the CUSTOMER it means...Approval of Application establishes line of credit - available as long as payments are made as agreed...Checks Can Be Drawn Anytime, Anywhere, for Any Purpose.

Get particulars today on this system **developed by bankers for banks**. Write Room 1639, 315 Fourth Avenue, New York 10. Simply ask for free folder X1642.

CREDIT CHECK SYSTEM
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THIS BANK takes pride in its long years of dependable service to Coshocton.



LOAN ACCOUNTS are posted rapidly and accurately on this National Window Posting Machine.



SEWARD D. SCHOOLER, President of Coshocton National Bank.



TWO NATIONAL UNIT PLAN POSTING MACHINES simplify bookkeeping, save many hours each week.

**"Our *National* Machines
 repay their cost every 3 years...
 a 35% annual return on the equipment investment!"**

**—Coshocton National Bank
 Coshocton, Ohio**

"For almost 60 years, our bank has taken pride in serving our patrons with complete banking facilities," writes Seward D. Schooler, President of the Coshocton National Bank. "We feel that we owe much of our fine customer relations and good will to our modern National System.

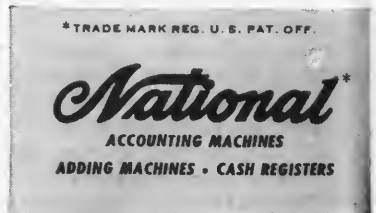
"We use a National Proof Machine, two '135' Unit Plan Posting Machines, a 'combination' Window Posting Machine for personal and consumer credit loans, a Window Posting Savings Machine, and the latest type of National Adding Machine. This

team of Nationals gives us maximum audit control with minimum maintenance cost. As a result, overtime is held to an absolute minimum—and our operating costs have been substantially reduced.

"As an investment, our National Machines repay their cost every 3 years through savings. In our opinion, a 35% annual return is worthy of any bank's consideration!"

Seward D. Schooler
 President, Coshocton National Bank

A National System is an investment that can profit your bank. Nationals provide the time- and money-saving efficiency that reduces operating costs. For complete details on the system best suited to your needs, call your nearby National representative. His number is listed in the yellow pages of your phone book.



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(CONTINUED FROM PAGE 124)

gram. Let people know you have a job to do, and that you will do it.

(8) Build better staff relations through a workable system of job evaluation, an employee benefit program in keeping with the bank's size, improved communications, better supervision and training.

Stressing the importance of "knowing your employees," Mr. McKee cited statistics showing that 321 of 845 embezzlement cases had occurred in the first year of employment, 125 in the second year, 142 in the third year.

It is imperative, especially in larger banks, he said, "that someone in management take a personal interest and get to know each employe well. Knowledge of the individual's idiosyncrasies, outside activities, and some idea of personal problems will often keep a good employee on the straight and narrow way."

Electronics in Miami and Minneapolis

THE Sottile Banking Group—seven banks in central and southern Florida—is installing electronic posting equipment.

The new machines are expected to be ready by the end of June at Avon Citrus Bank, Avon Park; American National Bank of Fort Lauderdale; Boynton Beach State Bank; The Coral Gables First National Bank; Bank of Palmetto; Pan American Bank of Miami; South Dade Farmers Bank, Homestead.

Northwestern National Bank of Minneapolis has received the first three units of a new electronic file computer to process checking accounts.

Just because a person is listed in "Who's Who" doesn't mean he always knows "What's What."

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Other reserves	\$13,141,357.41 — Pesos Colombianos.

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Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

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(CONTINUED FROM PAGE 39)

sen competition. The bank supervisory agencies would weigh the competitive as well as the economic and financial advantages and disadvantages in reaching a conclusion on any given merger.

When the Senate was considering the Financial Institutions Act of 1957 bill, an amendment was offered from the floor designed to give the Department of Justice a veto over mergers. It was defeated.

In view of the Senate action both affirming the bank supervisory route and turning down the Department of Justice route for passing on the competitive aspects of bank mergers, the Celler bill can hardly get approval by the Senate, this Congress and become law. Thus the effect of Mr. Celler's bringing before the House once more his version of an anti-bank merger bill would only be to keep the issue alive.

Supervisory Sentiment

Federal bank supervisors still hold to the view that bank mergers

do not diminish competition, but rather enable stronger banks to compete more effectively. These stronger banks, they say, increase rather than diminish competition. As stated by Comptroller of the Currency Ray M. Gidney before the House Judiciary Committee in March of this year:

"I would challenge any conclusion other than that banking competition in the United States has been growing steadily more vigorous, more effective, and rendering banks more serviceable to the public . . . we know that competition is not being diminished but is being maintained on a healthy and aggressive basis."

Other supervisory officials expressed a similar viewpoint. H. Earl Cook, FDIC chairman, while supporting this viewpoint, added: "I believe that the merger of giant institutions should be subject to the closest scrutiny on the competitive factors."

An affirmation of this viewpoint was again inferred when the supervisors, meeting with the staff of the House Judiciary Antitrust Subcommittee, failed to reach an agreement with that staff on any compromise between the Celler and Fulbright versions of anti-bank merger legislation.

Figures

Mr. Gidney told the committee that (1) the number of banks, trust companies, and savings banks in the United States on June 30, 1956, had dropped only to 14,229 from 14,636 five years previously; (2) that the proportion of deposits held by the 100 largest commercial banks in the United States had declined from 58% in 1940 to 46.7% on June 30, 1956, and finally (3) that there has been a considerable growth in banks of intermediate size.

In 1956 the number of banks consolidated, merged, or purchased was 186, from 225 in 1955. The total resources of bank mergers in 1956, however, aggregated less than \$3-billion, compared to more than \$8-billion in 1955. However, the 1955 figures included the consolidation of the Chase National with the Bank of Manhattan into the Chase Manhattan Bank, and distorted the asset figure on the high side for 1955.

While they do not have complete figures, bank supervisory officials (CONTINUED ON PAGE 130)

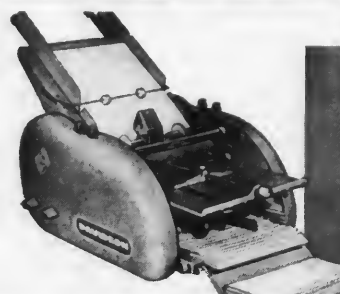
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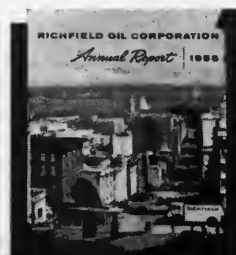
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BALANCE SHEET AT DECEMBER 31, 1956 AND DECEMBER 31, 1955

ASSETS	1956	1955	LIABILITIES AND CAPITAL	1956	1955
Cash and Government securities...	\$ 23,238,322	\$ 27,655,825	Current liabilities.....	\$ 29,983,628	\$ 26,880,339
Accounts receivable (net).....	43,898,472	35,701,797	Long term debt.....	78,000,000	81,000,000
Inventories	35,972,280	36,698,311	Stockholders' equity:		
Investments and advances (net)....	8,854,177	7,017,494	Capital stock	74,699,277	74,699,277
Properties, plant and equipment (net)	199,813,469	192,329,432	Earnings employed in the business	134,483,756	121,910,135
Deferred charges	5,389,941	5,086,892		<u>\$317,166,661</u>	<u>\$304,489,751</u>
	<u>\$317,166,661</u>	<u>\$304,489,751</u>			

OPERATING STATISTICS—BARRELS	1956	1955
Production of crude oil—gross		
Western Hemisphere.....	26,566,000	26,723,000
Eastern Hemisphere.....	2,369,000	1,500,000
Production of crude oil—net		
Western Hemisphere.....	20,743,000	20,729,000
Eastern Hemisphere.....	2,073,000	1,312,000
Crude oil processed at refinery.....	44,479,000	44,508,000
Sales of refined products.....	47,887,000	50,876,000

INCOME ACCOUNT FOR THE YEARS 1956 AND 1955

	1956	1955
Gross operating income	\$254,043,152	\$245,295,088
Costs and expenses.....	<u>211,434,386</u>	<u>196,224,541</u>
	\$ 42,608,766	\$ 49,070,547
Interest expense and nonoperating income—net ..	(1,535,145)	(1,561,099)
	\$ 41,073,621	\$ 47,509,448
Provision for Federal taxes on income.....	<u>14,500,000</u>	<u>17,900,000</u>
Net income	<u>\$ 26,573,621</u>	<u>\$ 29,609,448</u>
Net income per share.....	\$6.64	\$7.40



RICHFIELD OIL CORPORATION

Executive offices: 555 South Flower Street, Los Angeles 17, California

(CONTINUED FROM PAGE 128)

believe that preliminary figures indicate that the trend toward bank mergers is tapering off further this year.

Tax Cut Chances

Congress is under rising pressure to shunt the broad, public demand for Government economy on to the sidetrack of a tax cut. Whether the

tax cut will be voted this year is doubtful; sentiment remaining the same next year, however, it will be difficult to stop.

On the one hand there is no question of the broad public demand for Government economy. On the other hand, this abstract demand is yet to be tested by Congress in cutting back the benefits of major pressure groups. As a matter of fact, respecting housing and farm-

ing, for example, Congress is still catering to the pressure groups.

The shunting process is taking a definite pattern. Congress is beginning to pretend that it will "cut the budget" \$3-billion. So it will "pass on" eventually these "savings" in the form of a tax cut.

Congress actually is aiming at the goal of curtailing Mr. Eisenhower's new spending requests by \$3-billion. This is something else than "cutting the budget," for nearly \$70-billion will be on hand from spending allowances from previous years. And it yet remains to be proved that \$3-billion cut from new spending authorizations, even if finally voted this year, will be a firm cut. Many of the "cuts" will require deficiency appropriations next year, since Government activities, pensions, and subsidies are not being curtailed.

Second, it is officially admitted that domestic military spending and some other items are exceeding current year estimates. Thus some substantial cuts would be necessary just to stand still.

Finally, through the prospective addition of \$1.3-billion in farm commodity give-aways to foreign countries plus over \$2-billion of new housing mortgage purchases and/or subsidies—even if some of these temporarily are technically outside the budget—will more than offset any probable genuine net cuts that Congress will vote this year.

Newspapers give much attention to something like a \$40,000,000 cut for one agency or a \$30,000,000 cut for another. Very little attention is given to the prospective huge costs of the housing bill and the foreign food give-away.

Finally, the deterioration in the budget as compared with the estimates may force the Administration again to ask this month or next for an extension of the higher Federal debt limit.

Easier Housing Money

In March housing starts dropped to a projected annual rate of 880,000 units. Thereafter the Administration dropped most of its resistance to a considerable broadening of direct and indirect housing subsidies.

Rep. Henry O. Talle (R., Ia.), the ranking minority member of the House Banking Committee, proposed and the Administration accepted, a broad bill.

(CONTINUED ON PAGE 132)

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S. T. CROSSLAND
Vice President & Treasurer

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(CONTINUED FROM PAGE 130)

In a surprise move the House adopted as a substitute for both the Talle bill and the committee bill, a bill offered from the floor by Rep. Ed Edmonson (D., Okla.). Mr. Edmonson is not even a member of the Banking Committee. The Edmonson bill, however, did not vary greatly from the Talle bill.

The bill the House adopted broadened considerably the ratio of loans to value on FHA sales housing, boosted the Federal National Mortgage Association's power to buy mortgages in the "secondary market" to an estimated \$2.8-billion total, increased by \$550,000,000 the amount of military housing and other "special assistance" mortgages FNMA can buy, and proposed to add \$250,000,000 for Federal capital grants (i.e., gifts) to municipalities for slum clearance and urban renewal, and added \$150,000,000 to the \$750,000,000 already authorized for college housing loans.

By an amendment from the floor the House proposed that public housing approved hereafter should be limited to that needed to re-house persons displaced from their existing homes because of slum clearance or other governmental activity.

It is thus possible that actual cash commitments for housing will be increased by some \$2.2-billion.

Designed to Counter Certain Provisions

Mr. Talle's bill was designed to forestall certain proposals included in the committee bill. These were mentioned obliquely by an Administration spokesman in giving his blessing to the bill.

One of these proposals would permit a limitation on discounts on Government-sponsored mortgages. Another committee proposal was to utilize \$1-billion of the alleged reserves of the (War II) National Service Life Insurance Fund for investment in VA-guaranteed mortgages paying 4½%. However, the bill as passed opened the way for the regulation of discounts sometime next year on FHA, but not on VA loans.

The third committee bill feature, which the Talle bill was designed to head off, was a proposal that there be a special veterans' preference schedule under FHA to replace an expiring VA loan guarantee author-

ity. For FHA loans, the downpayment under the veterans' preference schedule of the committee bill would have been half that of the non-veteran, and the killing of this proposal was ratified by the House.

Final Bill Will Be Liberal

Although the Senate Banking Committee had not reported out its version of a proposed housing bill at writing, there were hints that the bill would be fully as comprehensive and as potentially expensive as any legislation that would come from the House.

The final legislation, therefore, is likely to be broad in scope. It is expected further to ease FHA terms, open up the Treasury through FNMA as a source of mortgage money, enlarge subsidies for slum clearance and urban renewal, increase funds for college housing, and in general enhance subsidized housing. Only the details of how much will be in what specific categories remain to be settled finally.

Observers on Capitol Hill believe that the use of NSLI funds to invest in 4½% VA's can be staved off. Whether curbs will be voted on discounts on Government-sponsored mortgage loans, also remains to be settled.

Mortgage Market Plan Studied

Serious study is being given by the Home Loan Bank Board to setting up a new national mortgage market for conventional loans. The facility would utilize the 11 regional Home Loan banks. The mechanism would be established so that it would tap 10- to 12-year money available from pension funds and other pools of savings that may be available for this kind of investment.

It is believed that such a proposal is likely to be put forward by the board in the near future, if it has not already been revealed. Such legislation would first have to be cleared with the Budget Bureau before the Board could request Congressional legislation.

If such a plan is brought forward, the thought is that this would be at first a limited, experimental plan of trying out a national mortgage market designed for HLB member savings and loan associations, some 30 mutual savings banks and two small insurance companies. (END)



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Reshaping Our Financial System

Here are excerpts from a talk by DR. E. SHERMAN ADAMS, A.B.A. deputy manager in charge of the Department of Monetary Policy and of the Economic Policy Commission, at the Money and Banking Workshop of the Federal Reserve Bank of Minneapolis.

THERE are two broad areas in which the labors of an impartial study commission might be especially fruitful. One is the matter of public policies with respect to the functions, standards, and supervision of various types of financial institutions. The other is the field of credit control.

As regards the first of these areas, numerous inconsistencies have developed in public policies having to do with the expansion, regulation and supervision of different types of financial institutions. In general, strict standards and close regulation have prevailed in the area of banking, whereas policies with respect to some other credit agencies, both private and public, have been exactly the opposite.

Thorough study of these inconsistencies might well lead to some corrective action, probably in the direction of safeguarding the public by establishing more conservative standards and more adequate supervision of savings and loan associations and credit unions. There also should be some curtailment of the activities of Government credit agencies. Politically, however, this will obviously be difficult to accomplish.

Is Credit Restraint Discriminatory?

In the area of credit control, one question is whether, under present-day conditions, a policy of general credit restraint bears with undue severity on particular segments of the economy, notably on housing and small business. If so, should these sectors be sheltered in some way from these harsh effects?

The market for housing credit has indeed been alternately glutted and then starved in recent years. However, the chief reason for this is not Federal Reserve policy but the rigidity of the interest rates on FHA and

VA mortgages which has made them alternately attractive and then unattractive in comparison with other types of investment. An impartial commission would in all probability urge freeing these rates to encourage a more even flow of credit into housing. It might also recommend the establishment of more prudent terms for these mortgages.

What about small business? There is real need, I think, for a thorough study of just how small business has been faring during this period of credit restriction. Available evidence suggests that, by and large, small business has been doing right well. The number of small concerns is at a record high and there were more new firms established last year than in any year except 1948. The rate of failure is low, and in most lines, profits appear to be excellent. Bank loans to small concerns are at a new peak and so is the amount of trade credit extended to them by larger corporations. In all probability, an objective study would show that few small businesses are suffering from inability to obtain the amount of credit they really deserve.

More Sheltering, or Less?

If these appraisals of housing and small business are valid, then clearly no new devices should be used to shelter these sectors from the effects of general credit restraint. In fact, even if it could be proven that these areas have been affected more than others, it would still be hard to make a good case for the adoption of sheltering devices. The sheltering of particular users of credit would obviously discriminate against all others. This would bring about demands for more sheltering and tend to undermine the whole principle of credit restraint.

As a matter of fact, an unbiased commission would probably conclude that we have already gone too far in granting special privileges to certain groups of borrowers, chiefly through governmental agencies. It is no secret that the credit policies of various Federal agencies have at times been directly in conflict with Federal Reserve policy. It is to be hoped that the commission would recommend some means of providing

for better coordination of the policies of these agencies with Federal Reserve policy—not the reverse.

More Regulation of Nonbank Credit?

What about private credit agencies other than banks? These have grown enormously in recent years and now control the great bulk of the total flow of credit. Moreover, the credit policies of many of these intermediaries are affected only very slowly and uncertainly, if at all, by Federal Reserve policy. What, if anything, should be done about this?

There are two possibilities: (1) selective credit controls and (2) new forms of regulation, such as variable reserve requirements, applying to particular types of financial institutions.

In academic debate, a plausible case can be made for authorizing selective regulations, especially on a stand-by basis, over instalment lending and home mortgage credit. Both types of personal debt have skyrocketed over the past decade and either or both might, sooner or later, cause serious economic trouble. However, some groups are strongly opposed to these controls and Congress is plainly reluctant to resort to them. From a realistic standpoint, it would seem that except under emergency conditions, they will not be adopted—not, at least, until we have more convincing evidence than we have now that they are needed.

What—and to Whom?

As for direct regulation of various types of financial institutions, just what would you do to whom? The largest of the nonbank intermediaries, the insurance companies, have been behaving themselves like nuns. It is hard to see much excuse for subjecting them to more regulation, what form it would take, or what it could accomplish.

As for sales finance companies, a study commission might conceivably come up with a recommendation for divorcing them from manufacturing concerns. If so, it is anyone's guess as to whether this might actually come about.

As for instituting variable reserve (CONTINUED ON PAGE 164)

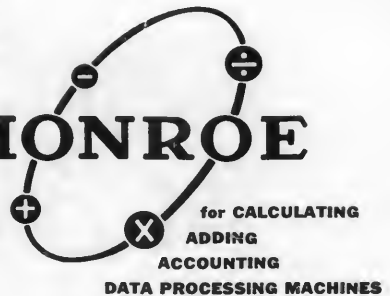
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April 24, 1957

T. S. O'BRIEN, Secretary

Main Street

(CONTINUED FROM PAGE 30)

BETH W. JEFFERSON of the Woodbury (Conn.) Savings Bank has been accepted as the first woman student at the School of Consumer Banking at the University of Virginia.

Founders Day observances commemorating the birthday of the late A. P. GIANNINI were conducted on May 6 in all BANK OF AMERICA branches and offices throughout the world.

Provident Trust Company and Traders Bank and Trust Company, Philadelphia, have consolidated under the name of PROVIDENT TRADESMEN BANK AND TRUST COMPANY, fourth largest in the city and sixth largest in Pennsylvania. JAMES M. LARGE is board chairman; WILLIAM R. K. MITCHELL vice-chairman of the board and chairman of the executive committee; BENJAMIN F. SAWIN, president; and WARREN H. WOODRING, executive vice-president. WILLIAM G. FOULKE and JOSEPH B. ROBERTS have been elected senior vice-presidents.

R. J. HODDINOTT, manager of the safe deposit department of The Cleveland Trust Company, has retired and is succeeded by W. S. BORESZ. TABOR WACHOB was named assistant manager of the department.



G. H. Patterson



J. W. Hudspeth

GEORGE H. PATTERSON is retiring as secretary and treasurer of the Mortgage Bankers Association of America. Officially, the retirement will take place at the 44th annual convention of the association in Dallas, November 4-7, the city in which he became affiliated with the organization during its 18th annual convention.

J. W. HUDSPETH, chief national bank examiner of the Twelfth Federal Reserve District, joins Crocker-Anglo National Bank, San Francisco in an administrative capacity, effective June 1.

WILLIAM G. PHILLIPS, JR., was promoted to vice-president of Union Planters National Bank, Memphis. CHARLES (Gus) MORRIS has moved up to the correspondent bank department and will travel southern Arkansas and the state of Louisiana.

ELEANOR FRIEDAUER, a platform administrator at Bankers Trust Company, 48th and Madison, New York City, has formed a banking women's committee to support Children's Village, a school for 300 de-

(CONTINUED ON PAGE 141)

STATE ASSOCIATION PRESIDENTS

Left to right: SOUTH CAROLINA—R. G. Clawson, executive vice-president, The Bank of Hartsville; TEXAS—Roy Selby, president, Citizens State Bank, Canado





Bank of Terrebonne & Trust Company, Houma, La.
Architect: H. T. Underwood, New Orleans, La.

How to attract more business with the Pittcomatic!

Recognized as "the nation's finest automatic door opener"—the PrrrrCOMATIC, a product of Pittsburgh Plate Glass Company, has proved its ability to build customer good will and thereby increase business in every department of banks throughout the country. Bankers everywhere agree that, either in new buildings or renovated existing structures, the PrrrrCOMATIC has helped to bring in new business, has kept their old customers pleased, has made the flow of

traffic in and out of their buildings more efficient.

The reason for this is simple: the PrrrrCOMATIC opens doors at a "feather touch." It gives any entrance a modern, forward look. It creates a more inviting atmosphere. And, naturally, folks prefer to do business where such an environment is created.

Here is a compact unit, operating on a simple hydraulic principle. The PrrrrCOMATIC is easy to install and

requires no major structural changes. A double-acting power hinge, it is entirely self-contained, without visible operating mechanism. Its one-third horsepower motor utilizes no more electricity than the conventional home refrigerator. Available for *handle, mat* or *remote* operation, it can be applied to tempered all-glass, metal-framed or wood doors.

Why not ask for complete information on the PrrrrCOMATIC? Simply fill in and return the coupon below.

PrrrrCOMATIC®

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PITTSBURGH PLATE GLASS COMPANY

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Pittsburgh Plate Glass Company
Room 7272, 632 Fort Duquesne Blvd.
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Without obligation on my part, please send me complete information on the PrrrrCOMATIC automatic door opener.

Name

Address

City State

SECURITY...
LIQUIDITY...
HIGH YIELD...

**TWO PLANS
ARE AVAILABLE**

A

THE DIRECT-BROKER PLAN

The loans are originated by our organization, and complete details necessary to set the loans up for your Bank are handled by us. After the loans are received and accepted by your Bank, they are handled directly with borrowers.

B

THE SERVICE-BROKER PLAN

The loans are made by our organization to the borrower and are sold to the Bank for the amount of the note. All details incidental to this type of investment are handled by us throughout the life of the loans.

**All These are Yours ...
with**

Cash Value

Life Insurance Loans

More than \$165,000,000.00 of these most attractive loans have been placed with banks throughout the country by Policy Holders' Service Bureau.

Bankers like the security, liquidity and high return combined in this one type of investment—and there are plenty of these loans available.

Loans are secured by cash values of life insurance policies . . . They are highly profitable, because the collateral is always increasing in value . . . They are liquid, too, because your money is readily available—loans are callable at any time within 150 days or less.

For More Complete Information and Bank References (Banks known to you) write

Policy Holders'

**SERVICE BUREAU
ARTHUR I. BOREMAN & SONS**

1912 GRAND AVENUE
DES MOINES 5, IOWA
CHICAGO • LOS ANGELES

MAIN STREET (Continued)

linquent boys in Dobbs Ferry, N. Y. MISS FRIEDAUER is chairman of the committee, which consists of 20 women from 14 different banks in Manhattan, the Bronx, and Brooklyn.

ADOLPH KUNSMILLER, chairman of the board of the American National Bank, Denver, began his 53rd year with the bank on May 1. He joined the bank on the day it opened its doors, and became board chairman on January 1 of this year.

ALBERT G. CLARK was elected vice-president of the Woodbury (Conn.) Savings Bank.

Worcester County Trust Company, Worcester, Mass., opened its 11th office, this one in Auburn, Mass. It plans to open two others this year, in Holden and Shrewsbury.

EARL HARKNESS, president and chairman of the board of the Greenwich Savings Bank, New York City, has received the 1957 John T. Madden Memorial Award of New York University's School of Commerce, Accounts, and Finance. The award is for "outstanding achievements in business, industry, or professional life." MR. HARKNESS is an alumnus of the University, class of 1924. He's trustee and chairman of the Savings Bank Life Insurance Fund and a director of the Savings Bank Trust Company.



John Dowling



Hazen Arnold



C. E. Crossland



Ivy W. Duggan

JOHN DOWLING has been elected vice-president of The Pennsylvania Exchange Bank, New York City. He had spent 11 years with Colonial Trust Company and 14 years with the First National City Bank of New York.

HAZEN S. ARNOLD, JR., has been named manager of the investment department of the First National Bank of Arizona, Phoenix. He was formerly assistant manager of the municipal department of The First Boston Corporation, Chicago. MR. ARNOLD succeeds DAVID LARSON, who left to join Transamerica Corporation, San Francisco.

The Investment Officers Association of the Savings Banks of the State of New York has elected these officers: *President*, FELIX S. WASSMAN, vice-president, The Bank for Savings; *vice-president*, VICTOR E. ZOELLER, assistant vice-president, Dollar Savings Bank; *secretary*, CHARLES F. BRAU, executive vice-president, Kings County Savings Bank; *treasurer*, COLTON W. GILBERT, assistant treasurer, North Side Savings Bank.

C. E. CROSSLAND, JR., has been named executive vice-president and a director of the Central Savings Bank and Trust Company, Monroe, La. He was formerly executive vice-president and director of the National Bank of Commerce in Paragould, Ark.

IVY W. DUGGAN was elected president of Trust Company of Georgia Associates. He succeeds WILLIAM S. WOODS, who recently was named executive vice-president of the Trust Company of Georgia, Atlanta. Trust Company of Georgia Associates is a wholly owned subsidiary of the Trust Company of Georgia. MR. DUGGAN was elected vice-president of Trust Company of Georgia in 1953. He had formerly been Governor of the Farm Credit Administration in Washington, D. C., since 1944.

STATE BANK OF LONG BEACH, N. Y., has officially opened its doors and has been admitted to membership in the Federal Reserve System. Capital, \$650,000; surplus, \$550,000. Officers are: FRANK W. BREITBACH, president, MORRIS A. VOGEL, vice-president; WALTER W. FRY, cashier;

STATE ASSOCIATION PRESIDENTS

Left to right: ARKANSAS—Thomas C. Wilson, executive vice-president, First State Bank, Conway; LOUISIANA—W. McKerral O'Niell, president, The St. Mary Bank and Trust Company, Franklin; TENNESSEE—R. M. Hawkins, president, Northern Bank of Tennessee, Clarksville





Our 100th Year

... and still pioneering
better banking service



Resources over \$436,000,000

FIRST
NATIONAL BANK
OF MINNEAPOLIS

Member Federal Deposit Insurance Corporation

**do
you
need** modern-designed
hand and
machine posting
savings and
commercial
passbooks

SAMPLES AND PRICES ON REQUEST

WILLIAM EXLINE INC.
1270 Ontario Street • Cleveland 13, Ohio

A Dollar Bill
Will Bring
YOU
Five Months
of
BANKING'S NEWSLETTER
(Regularly \$5.00 a Year)

Write to
BANKING'S NEWSLETTER

12 East 36th Street, New York 16, N. Y.

MICHAEL KOSES, secretary; BERNARD H. REICH, general counsel.

HOWARD C. RIGGS, vice-president and cashier of The Garrett National Bank in Oakland, Oakland, Md., since its organization in 1933, retires as of the end of May. He plans to spend his retirement in Florida.

DR. GROVER W. ENSLEY has been appointed executive vice-president of the National Association of Mutual Savings Banks. He was formerly executive director of the Joint Economic Committee, United States Congress.

KENTON R. CRAVENS, president of Mercantile Trust Company, St. Louis, has been reelected a director of the National Industrial Conference Board.

THOMAS S. PAGE, San Francisco public relations counsel, has joined Bank of America as special assistant to LAWRENCE D. PRITCHARD, vice-president in charge of public relations.

ARTHUR J. HEIDRICH, comptroller, was promoted to vice-president and comptroller of Equitable Security Trust Company, Wilmington, Del. EDWARD S. CUNNINGHAM advanced to assistant treasurer; RAY E. FRAZIER became assistant secretary. All three have been active in the American Institute of Banking; Mr. Cunningham is a past president of Wilmington Chapter.



Wm. M. McNabb



Robert J. Barth

WILLIAM M. MCNABB has been named executive vice-president and manager of the San Francisco main office of First Western Bank and Trust Company.

ROBERT J. BARTH, formerly vice-president of the Fifth Third Union Trust Company, Cincinnati, has been named president of the Peoples Bank of Dayton, Ohio. He's only 43, and is an alumnus of The Graduate School of Banking.

W. HARRY BLOOR, trust officer of the Trenton (N.J.) Trust Company, has celebrated his 50th anniversary with the bank.

RALPH W. CHAPIN was elected president of the State Savings Bank, Hartford, Conn., on the day he celebrated his 40th anniversary with the bank. He succeeds ALLERTON C. HICKMOTT, who became chairman of the board of trustees.

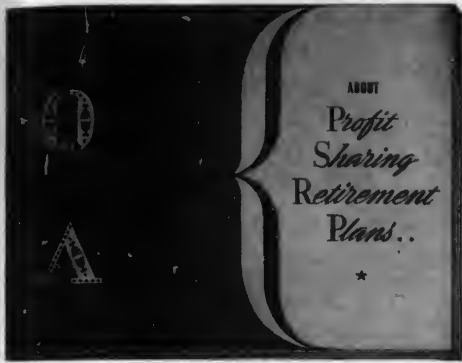
NORMAN R. SMITH has advanced to trust officer at Mellon National Bank and Trust Company, Pittsburgh.

(CONTINUED ON PAGE 144)

STATE ASSOCIATION PRESIDENTS

Left to right: PENNSYLVANIA—O. Albert Johnson, vice-president, Hamlin Bank & Trust Company, Smethport; GEORGIA—C. W. Curry, president, LaGrange Banking Company, La Grange





Profit-Sharing Retirement Plans

Made to Fit Your Customers' Needs

Your customers who run businesses are interested in building more loyal, more efficient employees. And, like many other businessmen, they will find that a Profit-Sharing Retirement Plan offers an ideal answer because it gives employees an important stake in the company's success — and provides valuable benefits possible in no other way.

Companies need tailor-made plans to fit special conditions. As a financial adviser to your customers, you want to make sure that they get the plan which best fits their situation.

The plan should guard against promises of payments that they may not be able to keep.

It should help them keep good employees and stimulate them to work for greater profits.

It should provide that the profits put in trust will be taxed only to the employees after retirement when taxes are lower.

It should provide that most of the money stay liquid but from which, nevertheless, your customers' employees can be sure of substantial pensions or severance pay.

Accomplishing these important requirements varies from business to business. But these features, and many more that you as your customers' financial adviser will appreciate, can be built into Connecticut Mutual Profit-Sharing Retirement Plans. For example, our plans help solve the problem of the over-age employee. There need be no payments in unprofitable years. Large first-year payments are not necessary. These plans can be written for companies with as few as five employees.

Founded in 1846, Connecticut Mutual was one of the earliest and is today one of the largest writers of life insurance for specialized business purposes. Not only are its policies particularly adapted to use in profit-sharing retirement plans, but comparisons will show that its costs are among the lowest.

FREE BOOKLET ON PROFIT-SHARING RETIREMENT PLANS

Particularly useful to bankers and trust officers is a booklet answering many questions about profit-sharing retirement plans. It answers such questions as how the employer's contribution is determined, tax deductibility of the employer's contribution, how members of the trust are taxed, how Social Security fits in, and many other important questions. Scores of your customers can have more permanent and financially sound businesses with a Connecticut Mutual Plan.



The Connecticut Mutual Life Insurance Co.
Dept. BA-6, Hartford, Connecticut

Please send me, without cost or obligation, your booklet "Some Questions and Answers about Profit Sharing Retirement Plans."

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Bank _____

Street _____

City _____ State _____

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INSURANCE COMPANY • HARTFORD

COLOMBIA



Efficient Services through

BANCO DE BOGOTA

Oldest established and largest Bank in Colombia
MARTIN DEL CORRAL, PRESIDENT

- Special attention to collections
- Accurate and dependable credit information service



117 BRANCHES

TOTAL ASSETS:

More than 726 Million Pesos
(Approximately US. \$290,000,000)

TOTAL COLOMBIAN FOREIGN BUSINESS:

	Imports	Exports
1955:	US. \$ 671,261,200	US. \$ 583,896,800
1956:	US. \$ 655,000,000	US. \$ 607,500,000 (excepting gold exports)

BANCO DE BOGOTA

ESTABLISHED 1870 • BOGOTA, COLOMBIA S. A.



BANK OF MONTREAL

New York--64 Wall Street San Francisco--333 California Street
Chicago: Special Representative's Office, 141 West Jackson Blvd.

675 BRANCHES ACROSS CANADA

RESOURCES—\$2,700,000,000



William Peterson



Arthur Boardman

MAIN STREET (Continued)

ARTHUR G. BOARDMAN, JR., and WILLIAM E. PETERSEN have advanced to senior vice-presidencies at Irving Trust Company, New York.

FRANK T. MILLIS, veteran Republican public servant, was named vice-president in charge of the new correspondent bank program of Fidelity Bank & Trust Company, Indianapolis.

HOWARD R. STENDEL was appointed a trust officer of Manufacturers Trust Company, New York.

CHARLES J. LYON, president and treasurer, Society for Savings, Hartford, Conn., has been elected president of the National Association of Mutual Savings Banks. Other officers elected at the Association's recent annual conference in Buffalo, N.Y., are: *vice-president*, WILLIAM A. LYON, chairman of the executive committee, Dry Dock Savings Bank, New York; *treasurer*, FREDERICK V. GOESS, *president*, the Prudential Savings Bank, Brooklyn, N. Y.

MASSACHUSETTS

Harlan A. Sears, president, Third National Bank & Trust Company, Springfield, is 1957-58 president, Massachusetts Bankers Association





pleasant,
practical,
private ...

individual office units created with

Hauserman DIVIDER - WALL

Now, you can shield productive workers from the routine office distractions that clamp a ceiling on efficiency, and you can do it without expensive remodeling. Office space can be allocated to meet any number of requirements with HAUSERMAN Divider-Wall combinations of low wall and panels topped with your choice of clear or diffused glass. Thoughtful placing of Divider-Wall gates, for example, sets up flow patterns that keep traffic away from offices and departments where privacy is required.

When new requirements call for new floor plans, Divider-Wall can be rearranged in a matter of minutes by your own maintenance people. And a pleasing combination of Divider-Wall baked-enamel colors helps create an atmosphere that fosters better employee morale and greater efficiency.

The first step towards solving your office space problems with Divider-Wall is a call to your HAUSERMAN representative. Consult the Yellow Pages (under PARTITIONS), and contact him today.

MOVABLE HAUSERMAN INTERIORS

National Lifetime Service . . . an Exclusive Hauserman Dividend

THE E. F. HAUSERMAN COMPANY
7219 Grant Avenue • Cleveland 5, Ohio
Hauserman of Canada, Ltd., Toronto, Ontario

Please send your free full-color Divider-Wall booklet to:

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Company _____ Title _____

Street _____

City _____ Zone _____ State _____

Free Booklet



Canada

(CONTINUED FROM PAGE 59)

in Alberta, who advocates a national dividend of at least \$25 per month to all Canadians of 21 years of age and over and certain other welfare

measures. Both he and Mr. Coldwell have been victims of quite serious heart trouble in recent years and, therefore, cannot campaign strenuously.

The big fight, therefore, is between the two old line parties, with Mr. St. Laurent defending the rec-

ord of the Liberal administration and adopting the slogan of "peace and prosperity," for which he and his followers take much credit. He desires to keep the Norman case out of discussion, but it is improbable that this can be evaded. Mr. Deifenbaker has already charged the Liberals with incorrect and confusing statements on the case. Also on his platform is the issue of restoring Parliamentary freedom, which, he claims with some justification, has been seriously weakened by "star chamber" methods of the Liberal cabinet. Moreover, he claims that the policies of the Liberals have prevented natural resource development by Canadians, with the result that some major industries have come under foreign control. He claims, also, that under Liberal administration farm income has declined and that the Federal authorities have overtaxed the public and left the provinces and municipalities with a much smaller share of revenues than they need.

Problems Face Winner

Whichever party has a working majority in the election on June 10 will form a new government, selecting cabinet members from its winning representatives. Both old-line parties have good cabinet material. The new government will have to deal firmly with many problems—better relations with the United States and with those of other British Commonwealth nations who are still vexed with Canada's critical stand against Britain and France in their military moves on the Suez Canal; trade agreements with many countries; domestic inflationary pressures; and perhaps more than normal unemployment in several distress areas which are now suffering from a decline in industrial activity following one of record proportions last year, when, as described in a previous issue of *BANKING*, Canada outpaced even the United States in the rate of increase of national production. These problems confront American interests in Canada as well as the entire Canadian public.



- 1 **Speed**—Nationwide direct collection service via the Bank Wire and by Airmail.
- 2 **Accuracy**—Modern machinery and skilled personnel enables us to process all items with utmost accuracy and efficiency.
- 3 **Experience**—We know the Southeast and have hundreds of bank and business contacts and friendships built up through 48 years experience.
- 4 **Co-operation**—Counsel on investments, credit information, purchase and sale of government and municipal bonds or help on your operational problems.

FULTON NATIONAL BANK OF ATLANTA



There's a new trend in banking!

Try . . .

BANKING'S NEWSLETTER
for 5 months \$1.00

AMERICAN
BANKERS ASSOCIATION

12 East 36th Street—New York 16, N. Y.

Why Pass Up Extra Commissions?

Leading passbook manufacturer now has several territories open for aggressive men calling on banks to sell all types of passbooks and pocket check covers. Commission basis.

WILLIAM EXLINE, INC.
1270 Ontario Street • Cleveland 13, Ohio

We have met some persons who never drank at the fountain of education but just gargled.

For the bank moving steadily toward
automatic figure-work—



two



**FRIDEN FULLY AUTOMATIC CALCULATOR—
THE THINKING MACHINE OF AMERICAN BUSINESS**

Nothing like it for brilliant flexibility and capacity. Performs more steps in figure-work without operator decisions than any other calculating machine ever developed. In many operations checks its own work for accuracy. Is easily operated by even green help. Watch the Friden Calculator speed and simplify figure-work on *Account Analysis, Foreign Exchange, Federal Reserve Rediscounts, Amortization, Percentages.*

remarkable

**FRIDEN MODEL ABY—THE 10-KEY
NATURAL WAY ADDING MACHINE THAT MULTIPLIES**

A complete adding-listing machine far advanced over any other adding machine at or near its price. Adds, subtracts, multiplies—provides automatic step-over of multiplicand. Patented Natural Way keyboard fits hand. Visible Check window shows each item before it is printed or added. By means of this Visible Check window, operators eliminate errors while work is in progress—no longer need to “go it blind.” Many more step-ahead features.



machines

Invite in the man from **Friden** —he's a systems consultant
as well as a salesman

Friden Calculating Machine Co., Inc., San Leandro, California. Commercial Controls Corporation, Rochester, N.Y., Subsidiary.
Friden sales, instruction and service throughout U.S. and the world.



The Lovely Order of Gloria Gay

Gloria Gay Smith cleared her desk in the bank's bookkeeping Department for the next batch of checks. The top name was Avery. She loved Mr. Avery's account. His signature was careful and unequivocal, his figures clear—and he *always* kept a comfortable balance.

She clicked up his checks and deposits on her machine . . . nodded triumphantly. The phone rang, and it was Mrs. Clayton, who could hardly count to ten and spent money with a most disorderly joy.

"I just had a *feeling*, Gloria Gay," Mrs. Clayton began. "I almost wrote a check for some twenty-five dollar shoes . . . and oh, *dear*, I thought, *Gloria Gay will be upset if I overdraw!*"

"Better let me check, Mrs. Clayton," Gloria Gay replied eagerly. She got out Mrs. Clayton's account and looked at the balance. "Oh, my, Mrs. Clayton," she said softly. "You've only got fifteen dollars!"

Mrs. Clayton shrieked. "Goodness! Whatever would I do without you, Gloria!"

Gloria Gay tucked the sheet back in the file with a glow of accomplishment. Mrs. Clayton was safe, again!

She checked disbursements against deposits of Mason Memorial Sunday School Class of which she was treasurer. Then she answered the phone to promise Mr. Evans she'd work on the Community Chest drive again this year.

Gloria posted Mr. Zachary's checks . . . the last batch for the day.

Then with a tremor of excitement, she ran up her totals. They balanced out right, and she breathed a happy sigh of relief and satisfaction.

Gloria Gay loved bookkeeping at the bank, because it was the *business* of keeping things balanced and right . . . for almost the whole town.

THE *First* NATIONAL BANK OF ATLANTA

This is the fourth in a series of advertisements dedicated by The First National Bank of Atlanta to—the people of the bank.

Secret Service

(CONTINUED FROM PAGE 58)

words: "NOT FOR PERSONAL IDENTIFICATION."

When accepting Government checks from strangers, after satisfactory identification has been shown, bank tellers should write a brief description of the identification on the checks, and also a brief description of the customer, such as "WM-26-5/7 — 145-br eyes — br hr" (meaning white; male; 5 feet 7 inches tall, weighing 145 pounds, having brown eyes, brown hair). Any scars or distinguishing features should also be noted. A teller can estimate a person's height and weight by comparing it with his own.

Bank tellers who receive any helpful information about forgers from depositors who have been victimized by forged Government checks should notify the Secret Service.

Bond Forgeries

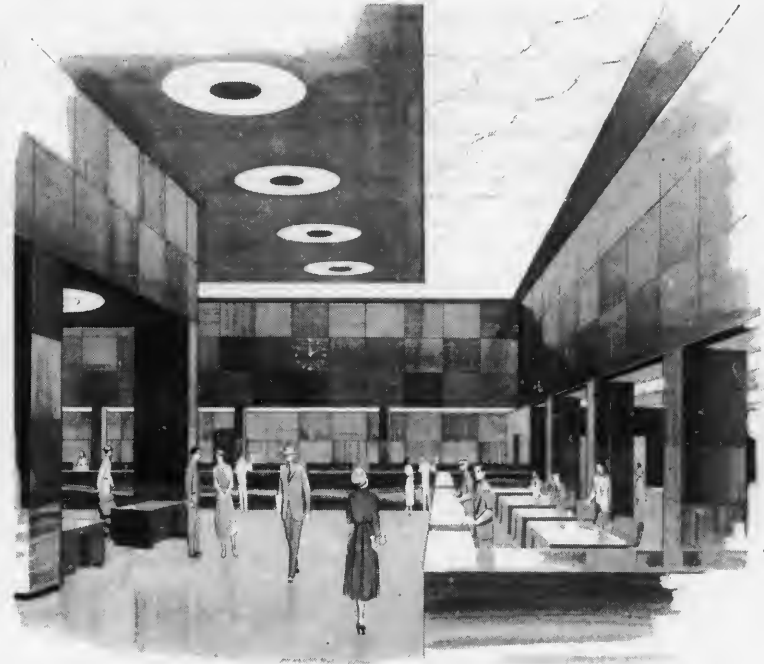
WHEN Savings Bonds are presented by strangers for redemption, a description of the person presenting them should be noted on the bonds for future reference in case it turns out that the bonds were lost or stolen. The more detailed the description is, the more chance the Secret Service will have to identify a criminal.

Banks should also note on such bonds the nature of the identification offered by the stranger. Many thieves and burglars steal U. S. Savings Bonds and often identification papers as well and negotiate or try to negotiate the bonds at banks.

During fiscal year 1956 the Secret Service received more than 4,000 forged bond cases for investigation and arrested 89 bond forgers.

Other Crimes

THE Secret Service is charged by law with enforcement of certain other statutes only insofar as the Federal Deposit Insurance Corporation, Federal land banks, joint-stock land banks, and national farm loan



Beauty and Banking Efficiency in Our San Francisco Main Office

provide a combination unequalled in the Western States—to prove that "Service comes FIRST with FIRST WESTERN"—at local, state and national levels.

Be sure to visit the beautiful new quarters for our San Francisco Main Office on your next trip to San Francisco.

CALIFORNIA'S STATEWIDE INDEPENDENT BANK

First Western Bank

AND TRUST COMPANY

OFFICES THROUGHOUT CALIFORNIA

Member Federal Deposit Insurance Corporation

INSTANT SERVICE

wherever you want it!

Credit Life Agency's eight field offices give you fast, personal attention. And our flexible Credit Life, Health and Accident program offers security for your bank, while it protects your customers' earning power. Won't you call the office nearest you to find out how adaptable the CLA program is to your specific requirements?



WRITE OUR BANKING SERVICE DEPARTMENT FOR FULL DETAILS

CREDIT LIFE AGENCY, INC.

67 Barclay N. E., Grand Rapids, Michigan

ATLANTA

Walnut 8-049

COLUMBUS, OHIO

Hudson 8-5224

DALLAS

Dallas 7-4606

DES MOINES

Des Moines 9-0518

DETROIT

Woodward 1-1439

PARK FOREST, ILL.

Skyline 6-0917

PHILADELPHIA

Pennypacker 5-8279

ST. PETERSBURG

St. Petersburg 5-4700

associations are concerned. These laws relate to:

Acceptance of loan or gratuity by a farm credit examiner.

Acceptance of unauthorized fees or gifts by Federal land banks, joint-stock land banks, or national farm loan associations or by their employees.

The false making, forging, counterfeiting, or altering of obligations of the FDIC, land banks or certain other lending agencies.

Embezzlement by FDIC and land bank employees.

Use of the words "Federal Deposit Insurance Corporation" as a business name; false representation that deposit liabilities are insured by FDIC; false representation in making Federal farm loans or issuing Federal farm loan bonds.

Employees of FDIC, land banks, and certain other lending agencies making false entries, drawing or issuing credit instruments without authority, and receiving profit or benefit with intent to defraud.

The making of false statements or willful overvaluation of securities in FDIC transactions.

The making of false statements



"...and if you finance it through our bank they'll throw in a complete course in what to do 'til the doctor comes!"

relating to sale of mortgages by mortgagees to Federal land banks; willful overvaluation by appraiser of land securing such mortgages.

False representations concerning character, security or terms of farm loan bonds issued by Federal land banks or joint-stock land banks.

The making of false statements, or overvaluing property or security, to influence action of Federal land banks, joint-stock land bank, na-

tional farm loan association in connection with applications, purchases, loans, etc.

The unauthorized disclosure by a farm credit examiner of names of borrowers from national farm loan association, Federal land bank, or joint-stock land bank.

The performing of any other compensated service by an FDIC or farm credit examiner for any bank or banking or loan association.



an end to your worries...

You're bound to benefit from our years of experience in helping to protect the resources of financial institutions and solving their fidelity problems. National Surety Bankers Blanket Bonds are available nationally through a network of top independent insurance agents and brokers.



NATIONAL SURETY CORPORATION
BANKERS BLANKET BONDS



The **FUND**
Insurance Companies

FIREMAN'S FUND INSURANCE COMPANY
FIREMAN'S FUND INDEMNITY COMPANY
HOME FIRE & MARINE INSURANCE COMPANY
NATIONAL SURETY CORPORATION

Central Bonding Offices:

3333 CALIFORNIA ST., SAN FRANCISCO • 4 ALBANY ST., NEW YORK
Branch Offices in Principal Cities Throughout America



**"We've just added another
new customer in Japan..."**

**Thanks to
The Bank of California"**

"I'm pretty familiar with the Far East, have made several trips over there, keep up with the market news and so on. But for day-to-day information, sound suggestions, and help in expanding my market, I always rely on The Bank of California. This makes a lot of sense, because their Foreign Department has been active in the Orient for over 90 years and their connections are extensive. I know because when I travelled over there, they helped me make the right contacts at the right levels. And, after all, with their own offices in five West Coast ports, The Bank of California is an important connection for anyone interested in foreign trade."

If you're exporting or importing, use the experience and facilities of The Bank of California, Head Office at 400 California St., San Francisco.

THE BANK OF CALIFORNIA
NATIONAL ASSOCIATION

The Bank of California  has offices in all three Pacific Coast states

SAN FRANCISCO and other California cities...
PORTLAND, Oregon...
SEATTLE and TACOMA, Washington



MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

from America's financial design center . . .



How to modernize your profit picture as well as your banking quarters:

Any capable designer can do a good job of renovating the appearance of a bank. But it takes a *specialist* . . . one who knows how to analyze and improve a bank's operations . . . to modernize your *business*, as well as your building's appearance. In the hands of a specialist, a major modernization project presents terrific opportunities for new profits . . . from many sources. Strategic relocation of departments can provide smoother work flow, simplify and coordinate all phases of your operation. New facilities will speed up transaction time, increase employee productivity, lower overhead and maintenance costs. Streamlining these and other areas of your operation can produce both a new appearance *and* better customer service . . . doubling your power to attract new business.

Achieving modernization like this requires a *combination* of highly specialized talents and techniques. Our analysts first make a thorough study of your bank's operations . . . reporting their findings to an executive Plans Board which develops basic recommendations for your project. At this stage, a team of top designers, engineers, equipment experts and cost consultants develops actual working plans . . . and stays with your job to completion. This method—employed successfully in over 3,200 completed projects—can bring new profits to you. Consult with us by phone or personal visit . . . no obligation.

AFTER MODERNIZATION



Half Dollar Savings Bank
Wheeling, W.Va.
Two old buildings
combined into
one modern
operation
inside and out.



Select your designer with care . . .

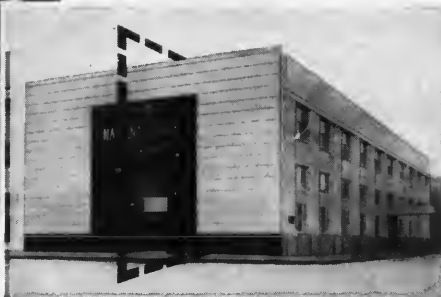
Check his financial responsibility
as well as his skill and experience
in this highly specialized field!



Tower Grove Bank & Trust Company, St. Louis, Mo.
Both architectural style and bank operation were modernized in this outstanding project, which also included complete drive-up and walk-up motor banking facilities.



FIRST NATIONAL BANK OF
ELKHART, INDIANA



Expansion-modernization doubled this bank's facilities

By incorporating space of an old adjoining structure, this bank was able to enlarge and modernize its facilities while retaining its strategic, original corner location.

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40 Water Street, Boston



Common and Preferred Dividend Notice

May 6, 1957

The Board of Directors of the Company has declared the following quarterly dividends, all payable on June 1, 1957, to stockholders of record at close of business, May 14, 1957:

Security	Amount per Share
Preferred Stock, 5.50% First Preferred Series . . .	\$1.37½
Preferred Stock, 5.85% Series	\$1.46¼
Preferred Stock, 5.00% Series	\$1.25
Preferred Stock, 4.75% Convertible Series	\$1.18¾
Preferred Stock, 4.50% Convertible Series	\$1.12½
Common Stock	\$0.35

W. H. Angone
Secretary

TEXAS EASTERN  *Transmission Corporation*
SHREVEPORT, LOUISIANA

PROMISE PLUS PERFORMANCE

**CENTRAL-PENN
NATIONAL BANK**

OF PHILADELPHIA

Member Federal Deposit Insurance Corporation • Member Federal Reserve System

Bank Premises

(CONTINUED FROM PAGE 57)

gage on their buildings, even if it didn't show in their statements. Today they recognize that it is better to do that than to have a realty investment that is too large in relation to capital funds. One of the nation's largest banks recently obtained a \$60,000,000 mortgage loan from an insurance fund to cover a substantial cost of its new head office; had it not done so its investment in premises would have been out of line with capital funds. Furthermore, when a bank is earning an average of better than 4% on its funds, there is an earnings advantage in having another lender put up money for such purposes at a lower interest rate. Also, the bank has more funds under such conditions than it otherwise would have for employment in liquid investments.

Arguments Reversible

Of course every argument that can be cited for the rapid write-off of premises can be put into reverse should circumstances justify. Suppose, for instance, that a bank has a head office in a deteriorating business street in a village where all the direction of business movement is toward a shopping center on a nearby main superhighway. The bank has been fortunate enough to establish a branch in the shopping center, getting in on the ground floor, so to speak, and now has a well situated branch in its own owned quarters there which is rapidly appreciating in value with the passage of time. Of course, investments in the shopping center branch may be depreciated as slowly as is desired, if at all; the head office has to take maximum depreciation. The rule of reason must govern. Probably most bank examiners will support such a policy.

We now come to the question of how serious is this premises account for banking generally, as indicated by the figures. It may shock some of the old-line conservative bankers to take a look at figures made public periodically by the Federal Deposit Insurance Corp. covering the aggregate investment of all operating banks in premises, other real estate, furniture and fixtures, and indirect

(CONTINUED ON PAGE 156)

There's a profit
on **BOTH** sides
of this coin



FINANCE OPERATION

1. Lets you offer complete service.
2. Helps you to close the contract.
3. Builds good will.
4. Encourages repeat business.
5. Cuts risk.
6. Changes "cash sale" and "no sale" to Installment Sale.



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Rental Value
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No books published in recent years provide you with such a diversified wealth of banking information and ideas as do the 1957, 1956, 1955, 1954 and the 1953 editions of "Present Day Banking."

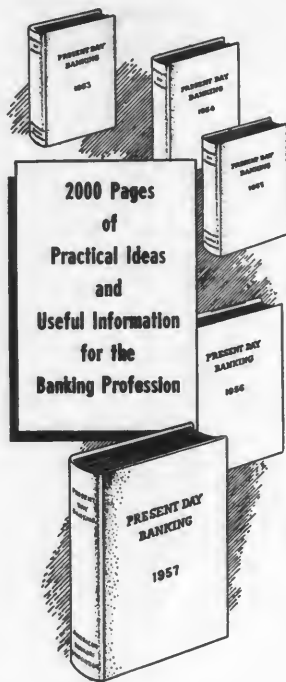
Together they present more than 2,000 pages of material on scores of important banking subjects—operations . . . advertising . . . directors' duties . . . trusts . . . taxes . . . business development . . . country banking . . . mortgages . . . dozens of others. Every chapter is practical, because—*practical banking men wrote these books.*

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You need send no money (unless you wish) when you order the books. Merely drop us a line on your bank's letterhead. We will ship you the book(s) when the edition for 1957 is available, in June, together with our invoice. If you are not pleased in every way return them and the invoice within 7 days and the charge will be canceled. If you decide to keep the book(s) send us your remittance any time within 30 days.

BANKING

AMERICAN BANKERS ASSOCIATION
12 EAST 36th ST., NEW YORK 16, N. Y.



CLOTH-BOUND 6" x 9"

**SENT ON
7 DAYS
APPROVAL**

(CONTINUED FROM PAGE 154)

realty investments, which may include equities in real estate subsidiaries. In the short space of six years—from the end of December 1950 through December 31, 1956—this aggregate investment has increased by approximately \$1-billion.

That is about 75% more than was invested at the end of 1950. There has been no extraordinary rise in "other real estate"—properties that have been taken over in foreclosure or in settlement of bad loans. The indirect investment in equities in real estate owned by subsidiaries has increased in these six years, but not remarkably so.

Nearly all the \$1-billion is accounted for in premises, furniture, and fixtures used for banking purposes.

Whether this is a large investment can be reckoned only against capital funds. At the end of 1950 the total of premises and all other real estate, as the accompanying tabulation shows, was 9.9% of capital funds. At the end of 1956 it was over 11½% of capital funds, and it is still rising at the rate of between 5% and 10% a year.

A Trend to Be Watched

It is obvious that investment in premises and other real estate has by no means reached a dangerous point, though it may be headed in that direction. It has far outrun the ultraconservative yardstick that such an investment shall not exceed 10% of surplus and undivided profits. It has not come near the more liberal view that such investments shall range between the 15% and 20% of total capital funds that many bank examiners are now inclined to view as "normal."

Putting the question another way: Since the end of 1950 banks have raised, through sale of stock, capitalization of recoveries and surplus, and through retained earnings approximately \$5-billion. The increased investment in premises has taken 20% of the new capital.

It is not the purpose of this article to view with concern, or to assert dogmatically that this much is too much for premises investment. The purpose is rather to call attention to a trend, and the pitfalls that in the past have caused trouble to those who invested too widely and handsomely in new homes for their banks.

Selling Our Trust Services

(CONTINUED FROM PAGE 60)

the Massachusetts savings banks.

Certainly the life insurance companies advertise, but they know that they must use well-trained salesmen, and a lot of them, to close the business.

Commercial Accounts, as Well

In this period of intensified competition, one of the great weaknesses in the banking business is the lack of salesmen—men who can sell both decedent estate and commercial business.

This double-barrelled-type salesman—a new concept of selling in banking—may be one answer to the trust department's problems. Naturally, if your trust department is operating at a loss or at a very small margin of profit, it will not be inclined to increase its overhead by adding salesmen, who, by the way, will have to be paid on a basis comparable with the more successful salesmen in industry. Thus, the solution would seem to be the use of men who can sell both estate and commercial account business. If we are to secure a greater portion of the profitable market, if we are to increase earnings in the trust department, it means that our selling should be concentrated on the sale of decedent estates or what we call "potential" or "future business," rather than the less profitable immediate trusts, agency, and custodian accounts. Even concentrating on property owners of advanced age, you will have to pour money into your trust new business department for 5 or 10 years before you will start getting a return on your investment. If your salesman is trained to sell both commercial and trust business, his production of commercial deposits developed along with his estate business will produce current earnings during the wait to collect the fees on the better class of decedent estates.

We have also entered a period of intensified competition in the commercial banking business, which indicates the need for change in our approach to new commercial deposits. No longer will the old methods suffice. From now on, your commercial new businessmen will need a plus factor. Their credit training, if

they have had credit training, should enable them to master the estate planning, stock valuation, or tax-savings approach. With this as the plus-factor approach, they will be qualified to develop both commercial and trust business, thus reducing sales overhead in both departments or showing a much greater immediate return on the investment you make in your over-all new business department.

The Big Estate Markets

This article is directed primarily at banks with competent operating trust departments located in trust markets large enough to support such an operation. Listed below are the 10 largest decedent estate markets in the country, showing estate tax returns and dollar volume.⁹

Estates \$60,000 and Over—1954

	Returns	Assets in Thousands
N. Y.	4,988	\$1,081,900
Calif.	3,755	639,858
Ill.	3,021	474,961
Pa.	2,250	420,070
Ohio	1,924	321,373
Mich.	1,033	259,281
Mass.	1,329	254,432
N. J.	1,466	250,073
Tex.	1,347	225,686
Fla.	978	163,378

It is the banks in these states that need larger sales departments and better trained salesmen—men who can sell both trust and commercial

⁹ Statistics of Income for 1953, published by United States Treasury Department.

business. It is in these states that trust departments are letting hundreds of millions of dollars in the most profitable decedent estate business slip through their fingers, much of which under present-day conditions could be obtained by them if they would support their advertising with more salesmen.

I do not mean to imply that salesmanship is the be-all and the end-all or that all banks can have profitable trust departments. There is the matter of controlling costs as well as increasing fees, which we shall leave to the specialists in these particular subjects. However, if, as, and when the trust departments do get around to charging adequate fees on living trusts, agency accounts, and other immediate business, the departments with a well-trained sales staff will be out in front.

Why Lower the Sights?

For a number of years certain spokesmen for the trust business have made the statement that "We must lower our sights to get the mass market." Based on experience in working with a number of small, medium, and large banks, it would appear that trust companies have already secured too much of this mass market. They are virtually strangled with too many small estates—small insurance trusts, living trusts, veteran accounts, etc., walk-in business, small business brought to them by attorneys, insurance men, and misdirected advertising—to such an extent that their trust personnel has no time to devote to the development of the big estate market—the \$7-billion annually in decedent estates of \$60,000

"Your uncle had many friends!"



E. J. Diamond

and over. Certainly we have to help the owner of a small estate when he comes in seeking our help, but we do not have to lower our sights, beat the drum, and deliberately go after this small business when it is obvious that we have only scratched the surface in our penetration of the big and profitable market.

During the 10 years referred to in the Treasury Department report, 1944 to 1954, estates of \$60,000 and over totaled \$50-billion. Less than \$5-billion of this huge market was handled by our nation's trust departments.¹⁰ Executors' commis-

sions at but 3% of this \$50-billion market would amount to more than the total gross trust department earnings of all national banks in the country during the same 10 years.¹¹

The Proof of the Pudding

Our inability to capture a greater percentage of this estate market is caused by our being undermanned in the field of properly trained salesmen. For example, the State of Florida, by the records of the Treasury Department, has the 10th largest decedent estate market in the nation. Of the 978 estates of \$60,000

and over, totaling \$163,378,000, in Florida in the year 1954, 30 national banks (with two exceptions, this includes the most active trust departments in the state) secured less than 5% of the dollar volume.¹² Yet all banks in Florida are employing but five full-time trust salesmen.¹³

In the Commonwealth of Pennsylvania we find the fourth largest decedent estate market in the nation (2,250 estate tax returns annually covering \$420,000,000). Although in Pittsburgh and Philadelphia the banks are securing a greater percentage of the large decedent estates than anywhere else in the country, we can count no more than 50 trust salesmen in the entire state, 40 of them being concentrated in six banks in Pittsburgh and Philadelphia.

More specifically, in the Pittsburgh market where the leading banks and trust companies for the past 10 or 15 years have done an aggressive job of merchandising with the support of trained salesmanship, in the year 1954 the banks and trust companies secured 48.8% of the dollar volume and 35.7% of the number of decedent estates of \$60,000 and over filing inventory. From 1939 to 1954, inclusive, in a 16-year survey covering estates of \$25,000 and over, the banks and trust companies secured 27.1% in number and 52.9% in dollar volume. There is still an untapped market.

The full potential of well-organized trust departments is still in the making. Not only do we have billions in untapped decedent estate business as indicated by the Treasury Department report, but there are collateral values still to be developed—the use of estate planning approach to secure commercial accounts, increase in trust department deposits. (Note: All New York City trust departments covered by Federal Reserve survey showed profits when given credit for deposits.) But, like every other successful business in our great economy, the decedent estate market and its collateral values will remain dormant until banks realize the full potential in qualified salesmen.

Route your Mid-South items to First of Memphis

Fast transit operation is vital in the collection and transfer of funds. Ours is geared to save you valuable time by taking full advantage of the excellent air and rail service provided from Memphis' "center of the Mid-South" location.

When you route items to First National, you can be assured that modern methods, long experience and a network of selected correspondents will keep your float at an absolute minimum.



**THE
First National Bank
OF MEMPHIS**

MEMPHIS, TENNESSEE

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

¹⁰ *Statistics of Income for 1953*, published by United States Treasury Department.

¹¹ Estimate based on all available records of national and state banks; also surveys.

¹² Estimate based on Comptroller of Currency's records, 1954 and 1955.

¹³ Survey made by Trust Section of Florida Bankers Association.



"It's a savings accounting machine!"

"It's a commercial bookkeeping machine!"

"It's a general ledger accounting machine!"

"It's a loan accounting machine!"



It's the all-purpose Burroughs Sensimatic

4 specialized accounting machines in 1

The all-purpose Burroughs Sensimatic Accounting Machine is everything you could possibly ask of *four* specialized accounting machines—all rolled into *one* fast-moving taskmaster that cuts your work volume down to size.

Turn the all-purpose Burroughs Sensimatic loose on all your major accounting functions and see. It switches from job to job at the flick of a knob, through the magic of the exclusive sensing panel. And it's so easy to use—automatically makes so many operator decisions—that an operator who has never seen it quickly becomes expert.

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*Wherever there's
banking
there's*



*"Burroughs" and "Sensimatic"
are trademarks*

Service Charges on Business Accounts

(CONTINUED FROM PAGE 62)

Banks' attitudes towards service charges have puzzled a few treasurers. Typical comments:

"Lately, we've had a number of bankers come in complaining that they are being turned into nothing but service organizations. They say their main functions are to keep money safe and lend it out. They say they don't want to charge for service. Perhaps banking ought to take a look at itself and decide whether it is or is not a service business."

* * *

"Banking has some useful services which we have not used. We know that our balances are not sufficient to offset the charges that would result if we used these services nationwide. Some banks will not let us pay for these services in cash instead of in balances."

* * *

"We are very wary of banks that will quote us prices substantially

below those of their competitors. We suspect that within a year, such a bank will be back knocking at our door asking for an increase, saying it grossly misjudged its costs."

* * *

"Unless banks know their costs and charge us fairly for them, some bright guy is going to start a service company operating in regional collection centers that will handle the operating details of such services as the post office box collection plan, account reconciliation, payroll payment plans, and the like. Maybe this is a foolish dream but the fur surely would fly then."

* * *

"Just tell me your service costs, allow me a fair value for my deposits, and then tack on 10% for your profit. I insist that your bank make a profit because we want you to be happy with our account. We need all the friends we can get and a bank can be a firm's best friend."

Nonpar Banks Criticized

Nonpar banks have come in for

a great deal of criticism. Some of this stems from ignorance of what a nonpar bank is.

"What is exchange?"

* * *

"How much of a nonpar bank's income comes from exchange, how much from service charges, and how much from loan interest?"

* * *

"Our policy is never to have deposits with a nonpar bank unless it is absolutely necessary. When our customers send us checks on which there is exchange to be paid, we bill the customers for the exchange. It creates a lot of extra work, and it puts us in a tough spot if one of our competitors absorbs exchange."

* * *

"Do people who cash checks on a nonpar bank in the same town where the bank is located have to pay exchange or are out-of-town firms like us the only ones that get clipped?"

* * *

"Try as I have, I cannot explain to my finance committee why the amount of exchange we pay is so high or why we have to pay it at all."

Mr. Banker

DO SOME OF YOUR ACCOUNTS REQUIRE SPECIAL FINANCING

Through the years, our banker friends have referred their customers to James Talcott, Inc. for Special Financing Services. Talcott has created special financing plans for these customers, and our banker friends have retained their customers as pleased depositors.

When these customers no longer require Talcott's Specialized Financing Services, they return to their bank loan source.

Talcott Finance Special Financing . . .

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NO BANK in Texas can give you more complete correspondent service than Houston's First City National Bank.

You can call on specialists in operations, investments, trusts, industrial development and many other fields. You can use our experience, our facilities, our world-wide connections in the service of your own or your customers' business.

Only a *big* bank, a *complete* bank, can offer you so much. Do all your business among friends at one broadly-experienced bank — make First City National of Houston your correspondent.



FIRST CITY NATIONAL BANK

OF HOUSTON

Member Federal Deposit Insurance Corporation

Director Retirement

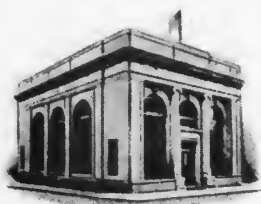
(CONTINUED FROM PAGE 35)

bank itself to keep on its toes, the Comptroller's office holds.

In electing members of its board of directors, a bank's stockholders must have in mind the contribution such persons can make to the bank's business, either directly or by virtue of their influence in the community. They should also have in mind board members sufficiently young and active so that 10 or 15 years of service

may be envisaged. A policy calling for automatic retirement of directors has very much to be said in its favor. The ideal board of directors should have a preponderance of neither very young nor very old members, bearing in mind that wise French saying: "If youth but knew, if age but could."

In a study of the planned retirement of bank directors made in 1953 by G. Theodore Gunkler of the Lin-



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CASHIER
LESTER BORDEN
ASST. CASHIER
DAVID C. BIVOCK
MGR. INSTALLMENT LOAN DEPT.

The National Bank of Liberty Liberty, New York

March 18, 1957

Mr. Harry O'Brien,
First Vice President
Bankers Security Life
Insurance Society
103 Park Avenue
New York 17, New York

Dear Mr. O'Brien:

We would be very much interested in learning more about your new Balanced-Budget Plan, as it certainly has a great deal of merit.

The Bankers Security certainly deserves a great deal of credit as their promotion material for banks, and, this new plan clearly illustrates that they are in business to help the bankers.

We will appreciate hearing from you.

Very truly yours,

E. B. Wright,
Cashier.

EBW:RS

coln Rochester Trust Company, Rochester, N. Y., its author concluded that a director retirement plan has advantages to the bank, the directors themselves and the general public. These he listed as follows:

Advantages to the bank

(a) The policy makes possible a board of directors with a much lower average age and therefore probably more dynamic.

(b) Younger men may bring to the board new ideas and the experience of new procedures or of new practices.

(c) The policy enables a particular bank to engage the services of proved young leaders from industry.

(d) A defined policy of retirement makes it possible for a bank to conduct a more thorough search for a new director than is normally possible when vacancies on the board occur in sporadic fashion.

(e) The policy retains the wisdom and experience of older men as emeritus directors who can act in a consultative capacity on all matters coming before the board.

Advantages to the retired directors:

(a) The policy enables them to continue to render advisory service or to make suggestions to the bank.

(b) The policy continues to endow them with the prestige associated with directorship.

(c) The policy relieves them of direct responsibility and liability, since they no longer make decisions by voting upon them.

(d) As emeritus directors they may continue to keep in touch with financial affairs in the community.

(e) They may continue worthwhile social relations and friendships with their associates on the board of directors and make new friends among younger leaders as these are elected to the board.

Advantages to the public served by the bank:

(a) Improved services may be introduced by a more dynamic board of directors.

(b) The advice of the older, emeritus directors tends to ensure stability and confidence in the bank.

The planned retirement of directors is both desirable and feasible, in Mr. Gunkler's view. The retirement age may vary according to local conditions and his study, therefore, made no specific recommendation on this point. The majority of director - retirement plans, he noted, retain retired directors in an

advisory capacity. In most cases studied, planned retirement was welcomed by the older directors, even those immediately affected thereby. In banks in which the retirement plan has been adopted no disadvantages have come to light. "Evidence has shown," Mr. Gunkler states, "that planned retirement for bank directors is easy to inaugurate and is well received by those who are retired through its enactment."

Reaction of Retired Directors

With reference to the reactions of retired directors, an officer of the Lincoln Rochester Trust Company stated: "They have been pleased with the plan in operation, stating that they enjoyed the contacts and privilege of being closely associated with the board of directors, sitting in on all deliberations and being given an opportunity to voice their opinions, all without having to assume any of the responsibilities."

In the case of this bank it is interesting to note that, following adoption of the director-retirement plan, a greater percentage of the retired directors attend board meetings than did before retirement from the board.

One retired bank director spells out a point as follows: "Under the plan the executive committee, knowing in advance the exact date when a vacancy on the board of directors will occur, are alerted to start considering the qualifying element of a group of younger men. Much time and thought are given to such consideration, with the result that new men are selected under more favorable circumstances." The retiring director, moreover, has a voice in the selection of his successor.

Effect of Younger Men

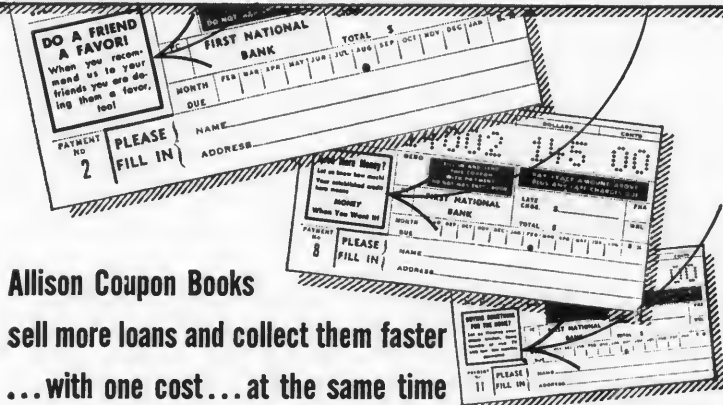
Of its plan, approved by the stockholders, which automatically takes a director off the board when he reaches 70 and makes him a non-voting advisor, the Tompkins County Trust Company, Ithaca, N. Y., states: "We feel that the plan has been most successful in strengthening our board through the addition of younger men." Harris Trust and Savings Bank expresses similar satisfaction.

If the proof of the pudding is in the eating, we have here a formula which, as its use spreads, is bound to strengthen American banking.

HERBERT BRATTER

how to increase INSTALLMENT VOLUME with fewer credit risks

DAY DUE	ACCOUNT NUMBER	DOLLARS	CENTS
2	14002	145	00
LET US FINANCE YOUR NEXT CAR We can OK the financing on your next car in a hurry because of your established credit!		PAY EXACT AMOUNT ABOVE PLUS ANY LATE CHARGES DUE	
MEMO		LATE CHGS. \$ _____ TOTAL \$ _____	
PC FIRST NATIONAL BANK		FHA _____ WKL. _____	
MONTH DUE	JUL	AUG	SEP
	OCT	NOV	DEC
	JAN	FEB	MAR
	APR	MAY	JUN
	S. M.		
PAYMENT NO. 7	PLEASE FILL IN	NAME _____	ADDRESS _____



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The regular appearance of a different sales message on each Allison coupon is a regular, continuing reminder to your loan customers. Powerful—yet inexpensive—advertising that stays alive for the life of the loan.

What better place could there be to solicit repeat loan business and sell your other services?



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ALLISON COUPON CO., INC.
 Indianapolis 6, Indiana

Please send me free samples of Allison Coupon Books illustrating these new advertising opportunities.

NAME _____
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 FIRM _____
 ADDRESS _____
 CITY AND STATE _____

Case Study in Bank Market Research

A LONG-RANGE business-building program that sells incentives to save rather than thrift in the abstract is now functioning at The Philadelphia Saving Fund Society as the result of a market study.

The program includes the bank's new "Convenience Accounts," 3,000 of which were opened in the first six months they were available, representing about 8.5% of the total gross of new regular accounts. Created on the basis of the reasons the public gave for saving, this popular service is practical proof of what can happen when evidence provided by market research is put to use rather than filed away.

PSFS' emphasis on giving people what they want—convenience, for instance — was reported by the bank's president, R. Stewart Rauch, Jr., at a meeting of the Savings Banks Association of the State of New York. It is the direct product of the depth motivational study conducted by the Society in the Greater Philadelphia area.

"We discovered, for example," Mr. Rauch told the bankers, "that no one wanted to bank with us just because we are the largest in Pennsylvania and the oldest savings bank

in the nation. Size and longevity seemed to make little difference, and yet we had been proudly advertising this information for years.

"We learned that we are not considered safer than other institutions for the simple reason that all savings banks are generally believed safe. And we also discovered that about 50% of all the people who save in all Philadelphia institutions did not know the rate of interest they were receiving."

The bank likewise learned that the saver saves for specific reasons: education, home repairs, etc.

"But by and large," said Mr. Rauch, "most people want to do business with savings institutions that offer them the most convenience." In fact, the study showed convenience to be so overwhelming a factor that PSFS is gearing its entire operation to "the quest of the consumer for convenience."

"We have stored the concept of thrift in the vault and we are now selling incentives to save."

The Convenience Accounts, in order of popularity, are Rainy Day, Education, Auto, Hobby, \$500, New Home, Bride's, Home Improvement, \$1,000, Stork.

Reshaping Our Financial System

(CONTINUED FROM PAGE 134)

requirements for certain types of nonbanks, this seems very unlikely. Many believe we should use this device less rather than more.

These items add up to the net conclusion that in the area of credit management, an impartial commission would recommend continuation of the present policy of placing primary emphasis on over-all, quantitative measures, rather than on sheltering devices or on other types of regulations.

Limitations of Monetary Policy

At the same time, however, it is to be hoped that the commission would emphasize the limitations of Federal Reserve policy under modern conditions. Although monetary policy is indispensable, we could get into serious trouble by relying on it too heavily.

For one thing, since the monetary authorities are not wizards, they are

bound to make mistakes. They must continually decide not merely which way to lean but just how hard to lean under constantly changing conditions. Since this inevitably involves an element of forecasting and since our measurements of the effects of credit policy are so inexact, we cannot expect the Federal Reserve's batting average to be anything like 1,000%.

Another inherent limitation of credit policy is that its influence is usually restricted to a relatively small fraction of total spending. Its effects may therefore be completely overshadowed at times by other factors, including, in particular, industrial wage and price policies. Over the past year, despite the Federal Reserve's efforts, the value of the consumer's dollar has depreciated by 4%.

Some people have the notion that the Federal Reserve could stop the

wage-price spiral simply by refusing to create the money needed to finance it. In a dream world, yes; in the real world, no. To halt a strong wage-price spiral, monetary restraint might have to be pushed to a dangerous extreme, much tighter than at present. Such a drastic policy might bring on a serious recession. It might also arouse so much opposition as to jeopardize the independence, or semi-independence, of the Federal Reserve System. So, it will not happen.

The number one economic problem of this decade is how we can live with prosperity without inflation and this cannot be solved by credit policy alone. A monetary commission would render real service if it would focus public attention on the basic elements of this vital problem.

The Problem of Public Tolerance

It is axiomatic that credit control can survive and be effective only if it is tolerated by the public. In recent years this problem has assumed completely new dimensions because so many millions of people who know so little about monetary policy, have now become users of credit. Some politicians and pressure groups have been quick to see the possibilities of making hay for themselves by attacking so-called tight money.

Today, in fact, the danger exists that monetary policy may become a permanent partisan issue in American politics. This could lead to the destruction of this essential bulwark against inflation.

It is to be hoped that the labors of a monetary commission would help to educate the public with respect to the functioning of monetary policy and the importance of tolerating its disciplines. If the limits of public tolerance to monetary policy can be widened, its potential usefulness can be enhanced.

Here is obviously a task that we cannot afford to leave to a monetary commission, especially one that does not exist. Bankers and teachers of money and banking, along with Federal Reserve officials, clearly have unique responsibilities to contribute to a better understanding of monetary policy on the part of the public. As might be true of a monetary commission, this may be the most significant contribution that we can make to the future welfare of the American people.

Mushrooming S&L Associations

(CONTINUED FROM PAGE 51)

thrift promotion carried on by the banks.

Another point that the protesting banks sometimes may exploit with success is inquiry as to whether the applicant's request for a Federal charter was preceded by any extended period of careful study and examination of the community and whether such study and examination was undertaken upon the suggestion or invitation of responsible community representatives.

Credibility of Statistics

In one case in which this writer participated the banks were able to show on cross examination that most of the statistical information submitted in support of the application was received third-hand and that all the sponsors of the application had signed it without having read it through! Thus, close probing of the manner in which the application was assembled and submitted to the board is something that should not be overlooked by the banks and their council.

The banks should be prepared with statistics, for the applicants will certainly have theirs. In this connection, the banks should be in a position to show by appropriate statistical exhibits the type of the community that is involved, its population, the industrial and economic growth of the area in comparison with similar areas in the state or the nation. The banks should be prepared to demonstrate the primary lending area that the association would serve. The applicants like to claim that the whole 50-mile radius, which they are authorized to serve, is the lending area involved, whereas in many cases the fact is that there will be one town or one section of the county from which the new association would obtain the great bulk of its share accounts.

Bank Activity to Be Shown

To the extent that the banks can convince the board that the association primarily will serve a limited, concentrated area where the banks are already meeting home mortgage money needs they will have registered an important score.

The banks should have prepared charts and exhibits indicating that they have attracted new savings accounts and have retained their old accounts and that a normal and gradual rate of growth, considering the nature of the community and the population of the area, has taken place. The protesting banks also should introduce data which demonstrate the number and amounts of home mortgage loans they have placed in recent years, and comparison should be made of the percentage of loans placed by the banks in the lending area involved with the percentage of loans placed in that area by lending institutions and others residing outside of the sector. To the extent that the banks can demonstrate that there has been no great influx of outside money they have *pro tanto* demonstrated that they are adequately serving the home mortgage needs of the area under contest. An expert witness also may help buttress or explain charts and statistics relative to the home mortgage loan record of the banks.

Proving Lack of Need

Other information pertinent to the question of need are: the facts with respect to the number of multi-unit housing developments that have been constructed or planned for the community; the adequacy of service rendered by other banks in outlying areas surrounding the community involved; the average savings deposit per family or per capita; the amount of home mortgages outstanding to total loans made; the amount of home mortgages outstanding to time deposits; and the amount of FHA financing done by the banks. To the extent possible through the use of information published by the Federal Reserve, the

FINANCIAL REMINISCENCE

What wonderful thoughts of the
good old days

Go 'round in my aging dome!—
When nothing was taken out of
my pay

Till after I got it home!

Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation, and financial journals and magazines, the banks should make comparisons of their home mortgage financing and thrift promotion records with the averages in these respects of other communities similar in size and nature to their own.

Question of Undue Injury

The third important issue involved in contested proceedings before the Federal Home Loan Bank Board is the question of whether the establishment of an association or branch will cause undue injury to local thrift and home financing institutions. Of course, any prediction of future injury rests in good measure on speculation. Nevertheless, there may be some helpful evidence which can be obtained and which the banks can introduce in an attempt to show that the establishment of a new association in their lending area would ultimately inflict undue harm on them.

For instance, the expert witness can be very helpful on this subject. Basing his projections on the applicants' own claims of the amounts of share capital that they hope to obtain over a given period, the expert witness may be able to give a reasonable informed guess as to the total amounts of time deposits the banks would lose to the new association in that time. These predictions then can be tied in with *pro forma* balance sheets of the banks to make an effective showing of the actual injury that could reasonably be predicted to occur should the application be granted. In addition, a statement or letter from the state banking commissioner saying that in his view the proposed association is not needed and that its establishment would curtail or injure the orderly growth of the existing local lending institutions already serving the area is sometimes helpful.

However, in view of the mystery surrounding the manner in which the board actually reaches its decision, one does not know what weight the board gives to the testimony or the opinion of state banking officials in these matters. The writer suspects that the board does not place much reliance on such opinions. However, in view of a state's interest in the banking fa-

(CONTINUED ON PAGE 167)



How Can You Build Company Acceptance?

Russell M. Sanderson of Smith, Barney & Co., Investment Bankers, says:

“New issues of securities are priced just like other merchandise. The company’s reputation helps establish the value . . . the price.

“If recognition of the company, and its reputation, have been created by a successful program of advertising, it is reasonable to expect that it will be properly reflected in the price of the stock on the exchanges.

“This does not mean that advertising is a kind of stock price magic that will ‘sell’ securities if they aren’t good. But if other factors are

equal, a well- and favorably-known company will command a better market price for its shares than one that does not have these benefits.”

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cilities operating within its borders, it seems prudent to attempt to enlist the assistance of state officials in resisting a proposed Federal savings and loan association. On the question of undue injury, the record of defense bond sales in the community, the level of person savings, and the amounts on deposit in the Postal Savings System are all areas of investigation which sometimes yield helpful evidence to show that a Federal savings and loan association would prosper at the direct expense of the existing local lending institutions. Finally, skillful cross-examination of the sponsors of the proposed association may draw them into extravagant claims of future accumulations of share accounts which, in turn, must come from among the depositors, present and potential, of the local banks.

Types of Witnesses

The writer has only summarized herein the issues and the manner of meeting them with which the banks must be prepared to deal in any attempt to protest successfully an application to establish a Federal savings and loan association or branch of such an association. It may also be worthwhile to refer to the types of witness which the banks should put on in presenting their case.

There already has been mentioned the importance of having an expert witness testify with respect to the lack of need and the threat of undue harm. Responsible officials of each protesting bank who are familiar with the home mortgage market in the area should also testify. Other witnesses who may be persuaded to testify for the banks are local real estate or construction men, especially those who may be able to offer convincing testimony as to the adequacy of the bank's services in meeting the home financing needs of the area. Incidental witnesses might include a representative of the local chamber of commerce or other business, civic, or labor organizations.

The most formidable opposition witness with which the banks must contend usually is a representative of the district Federal Home Loan bank. This witness, typically a member of the board of directors or officer of the district bank, will testify that the application was submitted

to the district bank, considered by it, and approved.

The writer can only say that testimony of this kind must be dealt with as the particular situation suggests. It has been his personal experience that at times the district bank may not have considered the application with care and have made no independent study or analysis of the lending area involved. Moreover, to the extent that the statistics submitted in support of the application are proved unreliable, the protesting banks may be able to show that the district Federal Home Loan bank has based its recommendation on erroneous data. Proper cross-examination may then produce the admission on the part of the witness representing the district bank that if its board of directors had been aware that the information supplied them in the application was inaccurate they might not have approved the application or, at the very least, might wish to reconsider it.

It is hoped that the suggestions referred to in this article may assist some banks in more effectively opposing an application to establish a Federal savings and loan association in their community. In view of the attitude of the Congress and the courts, as previously noted, it is only at the level of the Federal Home Loan Bank Board that commercial banks may nurse any realistic hopes of defeating such applications.

Recent Criticism of Board

While it is true that the board, as a general proposition, is favorably disposed to grant applications, recently growing criticisms have been directed at the board, both in the Congress and among the members of the legal profession, as well as by bankers and state banking officials. The collective impact of these criticisms finally may induce the board to reconsider, and perhaps modify, the liberal attitude which, up to now, it has manifested towards the establishment of Federal savings and loan associations.

If that should occur, then, more than ever, banks protesting an application to establish an association in their community should offer opposition that is well planned, carefully prepared, and persuasively presented. If this article helps in any small measure in the achievement of that result the writer will be gratified.



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WHICH OF THESE SIX BANK HOLD-UPS

1. "They aren't really much of a threat nowadays."



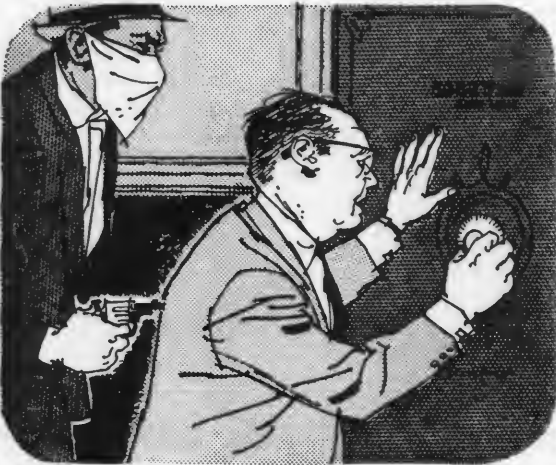
FACT: In the past two years more banks have been held up (381) and more money taken (\$3,284,453) than in any two-year period since those all-time peak years for bank banditry—1931-32.

2. "They're less of a threat than night burglaries."



FACT: According to A.B.A. figures, bank hold-ups outnumbered bank burglaries 5 to 1 last year. For every bank dollar lost last year in a burglary, six were lost in a hold-up.

5. "Protective equipment doesn't prevent attempted hold-ups."



FACT: F.B.I. officials report that experienced bank bandits can assess a bank's vulnerability "with surprising accuracy . . . and will usually by-pass the well-protected ones."

6. "There's no protection from such techniques as early morning interception."



FACT: Even this tough tactic can now be countered, thanks to Mosler's ingenious Bandit Switch. Like other components of the Mosler Protection Package, it is certified by Underwriters' Laboratories, Inc.

DANGEROUS VIEWS ON DO YOU HAVE?

3. "Chances of our being 'hit' are one-in-a-million."

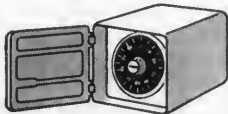


FACT: Score for the past two years is one hold-up for every 37 banks. And experienced police officials say your chances are even less favorable than 1 in 37 if your bank is not one of the few metropolitan giants.

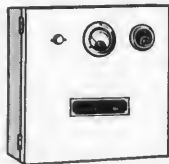
4. "We'd lose nothing, thanks to our blanket bond."



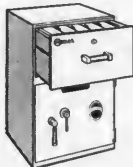
FACT: The A.B.A. points out that insurance could *not* make good your damaging loss of valued community trust, customer confidence, and employee morale . . . nor protect customers and employees from injury.



Bandit Switch



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Profits for the Staff

An employee profit sharing plan that includes a trust fund and an annual meeting of the beneficiaries is prospering at the Valley National Bank, Phoenix, Ariz.

Each new staff member is told, in the orientation booklet "Your Future," that the effect of the arrangement is to deposit 15% of annual salary in his or her account. And . . . "it doesn't cost you a penny. All contributions are paid by the bank."

A staffer becomes eligible after five years of continuous service. Then, annually, he is credited with 15% of his pay, and this money is invested in a trust fund, now about \$6,000,000. On termination of service by retirement or otherwise, the employee receives the amount accumulated to his credit.

The bank's yearly contribution is determined by a formula based on earnings after stockholders' dividends and other allocated reserves. Since the plan started in 1943, earnings have permitted the maximum percentage.

Fund's Investments

Three-quarters of the fund is invested in Valley National stock. The trustees, all employees, have also acquired stock in several Arizona companies and in a business block in downtown Phoenix. Their annual report is distributed, explained, and discussed at the beneficiaries' annual meeting held in March. This meeting is similar to the bank's own shareholders' session.

At the 1957 meeting of the bene-

ficiaries, Walter R. Bimson, Valley Bank chairman, explained how the fund originated. Mr. Bimson drafted the plan during World War II when salary increases were restricted by the Government. It got a good start in 1944 when he—then president of the bank—had an unexpected chance to buy 25,969 shares of Valley common stock willed by the late Dr. Louis D. Ricketts, former chairman of the bank's board, to California Institute of Technology.

Mr. Bimson heard that the Caltech trustees wanted money for a new building and were considering liquidation of the Ricketts bequest. He and his brother Carl (president of the Valley since 1953) arranged a conference with them at which he emphasized that offering so large a block in the open market might seriously depress the price.

"I'll buy the entire block at \$8 a share," Walter offered. The trustees hesitated, then accepted. Mr. Bimson put the 25,969 shares in trust for the staff, and VNB directors approved his profit-sharing plan, making it retroactive to January 1, 1943.

Largest Stockholder

For the first three years and a half the fund's investment needs were satisfied by this stock. Today, however, it is the bank's largest single stockholder, owning 161,546 shares, or nearly 12%, of the 1,390,000 outstanding.

An employee's equity in the program is measured in terms of units. The average staff member, who has been in the plan since the beginning,



Walter R. Bimson, chairman of the bank's board, reads the plaque given him by the plan participants in appreciation of his "inspiring leadership"

had in his account approximately 1,000 units valued at \$28.66 each, as of the yearend.

Since 1946, the 331 employees reaching retirement age of 65 (the bank also has a retirement plan) or leaving Valley's service, have received \$1,302,870 from the fund. Last year \$308,276 was paid to retiring workers.

E. S. Lee, Valley's investment department vice-president, is chairman of the fund's 7-member board of trustees. He reports that since 1943 the bank's contributions have totaled \$2,897,054; the amount paid in last year was a record \$404,694.

The trustees, who have broad investment powers, are appointed annually by the bank's directors. Four of the present seven members are officers. In addition to Vice-president Lee, they include President Carl A. Bimson, Executive Vice-president James E. Patrick, and Vice-president Le G. Moore, in charge of building properties.

Three trustees must be appointed from beneficiaries who are not senior officers or directors.

Tribute to W. R. Bimson

At the annual beneficiaries' meeting last March a plaque was presented to the fund's founder. It bears this inscription: "To Walter R. Bimson with sincere appreciation for your inspiring leadership which has so deeply enriched our lives."



Trustees of Valley National Bank's employee profit sharing plan fund: *Foreground, Dorothy Sites, Anna Foster; standing, l. to r., Andy Guthrie, Dale Cary; seated, Secretary Don Fairall, Chairman E. S. Lee, bank's vice-president in charge of investment department.*

Capital Replacement: A Dilemma of Inflation

A QUARTER CENTURY of monetary depreciation has created a host of problems, but few more perplexing to businessmen or more menacing to orderly economic growth than that of financing the replacement and expansion of industrial plant and equipment. Obviously, depreciation reserves based on the original cost of capital goods will not be large enough to replace these goods if the cost of replacement has been increasing. In the course of a sustained period of steadily rising costs, the deficiency can become an extremely serious matter.

The problem is aggravated by the continued use of accounting practices and tax policies founded upon the traditional assumption that money is a dependable standard and store of value over long time intervals, an assumption which the experience of recent years has belied. Some industrial managements are now in a real quandary over how to finance needed capital expenditures for which no adequate provision has been found possible and are calling upon government to re-examine the concepts of depreciation and profit underlying the revenue laws.

Profit or Capital Consumption?

The Machinery and Allied Products Institute has developed an index of prices of business capital goods (plant and equipment) which shows that the average cost of such goods has approximately tripled since 1933. The amount by which original-cost depreciation falls short of providing for replacement at current costs amounts to approximately \$6 billion a year, according to the Institute's calculations. The Institute calls this figure the amount of capital consumption on which American industry will pay income taxes this year.

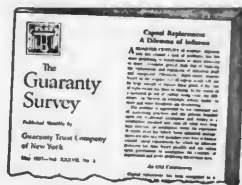
The Federal Government has done virtually nothing by way of recognition of the serious financial problem of capital replacement which business faces because of the shrinkage of the dollar. If government is primarily responsible for the stability or instability of the dollar, it behooves government to correct, in so far as possible, the inequities and hardships arising from instability, especially when these inequities and hardships involve a direct threat to the sound maintenance and growth of the economy.

A Good Place for Tax Relief

It is not necessary to disturb time-honored definitions of depreciation and profit. Capital replacement is more a problem of practical business finance than a question of accounting terminology. Instead of permitting depreciation reserves in excess of original cost, the purpose would be adequately served by tax-free accumulation of funds under some other name, such as special replacement reserves, for example. The additional funds must be set aside for replacement in any case, and it is both unfair and economically destructive that they be taxed as ordinary profit by the very government that has created the difficulty by failing to maintain the value of money. When the state of Federal finances makes tax relief possible, this would be an excellent place to begin.

From the May issue of THE GUARANTY SURVEY, monthly review of business and economic conditions published by Guaranty Trust Company of New York.

The complete issue is available on request.



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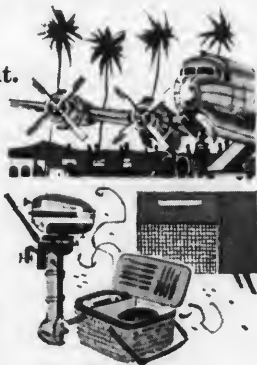
Informed, enthusiastic Employees are your best source of new Business

The question is: How do you turn a proof-clerk or maintenance man into a business-getter . . . how do you inform employees and stimulate their enthusiasm?

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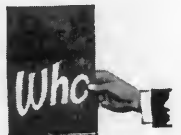
Promotion spreads knowledge. Better workers . . . aware of their part in the overall operation, confident

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Granite Printing Company	130		
Guaranty Trust Company of New York	171		
Hammermill Paper Company ..	30		
Hanover Bank, The	64		
Hauserman Company, The E. F. ..	145		
Home Insurance Company, The ..	92		

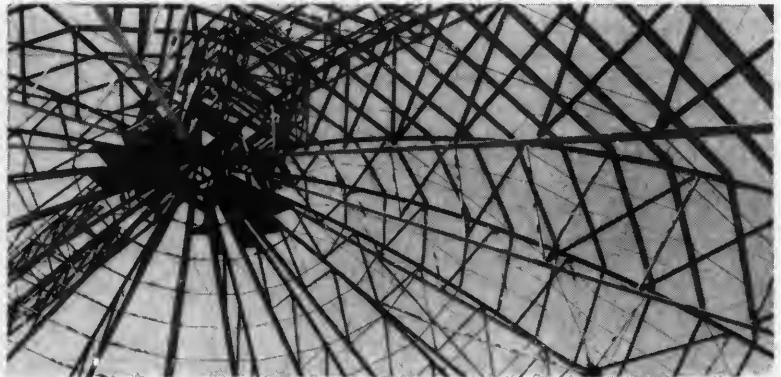
Only STEEL can do so many jobs so well



For A Tough Grind. This mill is used to grind the highly abrasive, low-grade iron ore called Taconite. Rolled Steel Plate Lining, bolted to the inside surface of the large revolving cylinder, lifts and tumbles the load and also protects the shell from the grinding action of the steel rods and the ore. This lining, especially made for such service, processed 1,100,000 tons of Taconite—another outstanding performance of USS Lorain-Rolled Plate Linings.



Homemade Bread, In A "Tin" Steel Pan. Commercial bakers, who can afford and demand the finest, say that "tin" bread pans give them a bigger, better loaf of bread. These "tin" pans are actually made from steel sheets, coated with a thin layer of pure tin. USS Tinplate, we call it. You can buy pans of this type at any department or variety store.



Steel Spider Web. If you ever needed it, here's proof that amazing things can be done with steel. This is an 83-foot-high dome for a potash storage building that will be covered with steel sheets. This complicated structure was *prefabricated* and erected by American Bridge Division of U. S. Steel.

UNITED STATES STEEL



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7-812

The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 33)

A kind of guarded optimism has reappeared in the automobile field, but what this industry needs is more room on the highways and more parking areas, and wider main streets. The situation even in small communities has reached a point where people would prefer to ride a bus or stay home, rather than tempt fate and patience by driving down Main Street.

Signs of Strength

All estimates and statistics on expansion of plant and equipment show that, while some programs were put on the shelf earlier this year, they are not just gathering dust. Any sign of a real upturn in general activity—and there are many—would stimulate industrial construction.

The business profit picture is one of sharp contrasts as between individual industries, but the general trend is up. Frequently industries showing a decline in net profits are in the midst of big expansion programs.

Bank earnings the first quarter were generally higher. Loan rates are higher and, of course, renewals are going at the increased rate. Costs of bank operations are also rising.

Restraint has been evident on the part of both borrowers and lenders. The loan volume is much more manageable, and consumer credit has increased less in recent months than at any time in the last two years.

Most of the feeling among those close to the agricultural field is optimistic. Prices are averaging above 1956 for the farmer, and soil bank payments are having a marked effect on the whole farm income picture.

Those who have the greatest expectations for the last half of 1957 usually base their hopes on a policy of greater monetary ease. On the other hand, the Federal Reserve is not likely to shift to an easier policy if business activity resumes a definite upward course.

The demand for investment money is rising, and

there is no real end in sight to pressures in this direction prevailing for the past year. A reduction in taxes and an increase in savings might conceivably change this prospect but the chances of any cut in taxes seem very dim indeed for the present.

Tax collections have been disappointing and economists with sharp pencils have already figured out the possibility of a Federal deficit in the next fiscal year. This would confirm Senator Byrd's contention that oppressive taxes are subject to their own law of diminishing returns.

Demand for Money

For a quarter century the return on short-term Treasury obligations was less than on long bonds. The fiscal authorities used the short-term market to save carrying charges.

This advantage to the Government ended several months ago. In February the Treasury had to pay 3% for a new issue of certificates with a year maturity. This was $\frac{1}{8}\%$ higher than the long-term bonds sold in 1953.

The notes put out in the fall of 1954, which matured in May, carried a rate of $1\frac{1}{8}\%$. They are being replaced with securities bearing interest of $3\frac{1}{4}\%$ and $3\frac{3}{8}\%$.

The demand for money is such, however, that even higher rates are no deterrent to public and private financing. It all comes out of national income and is merely a question of who will pay the highest price for it.

Foreign Outlook

Most of the opinions on the domestic outlook are based on the assumption that the foreign outlook will not change radically for the worse.

So far as it is possible to separate and compare the domestic and the foreign pictures, the domestic part of it is unquestionably brighter. Our gross national product reaches a new high each year but our gross national prestige does not.

In our efforts to change this and achieve more success in our role of world leader, we still depend chiefly on operation checkbook. There is a plan to make our foreign aid program look better by classifying most of it as defense and the rest as loans. It may help to change the labels but it seems a rather forlorn hope to expect that the same thinking which, in 25 years, has brought us to where we are will be any more successful in the future.

Foreign trade has been holding up well. While our hasty action in humiliating our allies and saving Nasser from oblivion is still to be paid for, the dire predictions about the immediate effect of the Suez fiasco on the European economy have not materialized.

Europe has adjusted itself to changed conditions. The building of a great new pipeline will take much of the load off the canal and might even make it unprofitable to operate from Egypt's standpoint.

WILLIAM R. KUHN



"But, Dad, I've heard you yourself say a dollar isn't worth much today. So how can you expect much work outa me for a dollar?"

End

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