

THE FRONTIER

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Economic Highlights

On August 28th the state of California produced some of the most startling political news of the decade. The voters nominated Upton Sinclair, lifelong Socialist, for Governor on the Democratic ticket. In addition, they nominated him by a tremendous majority over his nearest rival, who ran as a straight New Deal advocate, and his vote was well in excess of that of the Republican candidate, acting Governor Merriam. If Mr. Sinclair wins in November, it will be the first time an avowed Socialist ever reached a high governmental position in this country, with the single exception of the late Victor Berger.

As was to be expected, this unprecedented happening has aroused nation-wide comment. Those who believe in Mr. Sinclair's principles state jubilantly that his success means the definite beginning of a swing to the left—that it is only a matter of time before believers in socialism will sit in all the seats of the mighty. Those who oppose him tend to the opinion that the voters of California have gone temporarily insane. Neither of these views, to an unprejudiced observer, is convincing.

Mr. Sinclair, whether you like his economic dicta or not, is a man of unquestioned probity, and absolute, almost fanatical sincerity—and those are two main reasons for his nomination. Citizens of California have grown weary of machine politics—the state has been plunged steadily into debt, and many taxpayers think, rightly or wrongly, that they have little to show for much of the money spent. As a result, thousands of people who do not favor Socialism cast their votes for Sinclair because he is against all existing political machines and apparently has no political connections or obligations.

The Sinclair program is about as 'promising' as anyone could imagine. High lights are: Heavy taxes on large inheritances and incomes over \$5,000, pensions for the sick, unemployed and aged. Sinclair campaign motto goes by the initials EPIC, meaning "End Poverty in California." It is a noteworthy fact that Mr. Sinclair financed his campaign by charging admission to his speeches—and he packed the voters in while other candidates, who charged nothing, addressed half-empty halls. This is largely due to the fact that he is a brilliant and experienced speaker and a convincing writer. Some literary critics of distinction, here and abroad, regard him as the foremost living American novelist.

President Roosevelt at once made an appointment with Mr. Sinclair—observers believe he will attempt to tone down some of Mr. Sinclair's "wildness." If he is elected—and his chance of that depends upon how many Democratic voters who supported other and more conservative candidates he is able to hold—it is likely to prove somewhat embarrassing to the Democratic party by putting a genuine Socialist high in its councils.

Thus, eyes in all parts of the nation will be trained on California next November. And between now and then, the state will witness one of the bitterest campaign battles in its history. No two men could stand farther apart than Mr. Sinclair and Mr. Merriam, who recently popularized himself greatly by his decisive action in the San Francisco strike situation—such a wide difference is what makes first-class political wars.

A great deal can happen in a year—and high government officials, textile employers and textile workers are realizing the bitter truth of that now.

A little over a year ago, on July 17, the first NRA code went into effect. This was the textile code, held to be a model of its kind. It outlawed child labor, cut working hours and raised wages, improved working conditions. Spokesmen for the NRA and the industry made speeches and statements, said that the code marked a great step forward in social and economic evolution.

Today, the textile mills are silent save for a few in the south, and there

are no hands to guide the looms. Almost 500,000 workers have left their jobs, and the greatest strike in American history has begun. Neither side shows signs of giving quarter, both are digging in for a long, unhappy battle. Last hope for early settlement collapsed when final desperate efforts of the government's labor board failed. The workers demand still shorter hours, without wage reduction, plus a closed shop and further complications lie in the threat of sympathetic strikes within other major industries—and that is the stuff of which a national general strike might be made. Heads of the textile union announce that financial contributions are flowing in from all branches of labor, that they will have a war-chest adequate to pursue the strike to what they hope will be a successful outcome. However, the nation's purchasing power will be reduced by about \$7,000,000 a week as long as the strike is in effect—and everyone will feel the ill effects.

The whole future of the NRA and, more important still, of employer-employee relations is in the balance. The gravity of the crisis cannot be over-emphasized—it is literally packed with dynamite.

NATIONAL AFFAIRS

By Frank P. Litschert

September is the month in which we celebrate the coming into being of the Constitution of the United States. If there is any considerable question about how, in fewer than 150 years we have become the richest and potentially the most powerful nation in the world, the answer can be found in this great American document.

Never in the history of the world has there been anything like the development of the United States of America. Our national achievement is the wonder and envy of the entire civilized world.

And a great deal of it has been due to the form of government under which we have lived. The early fathers were a fearless and a hardy race, the bravest and most enterprising of Europe's citizens who came here because they loved liberty more than contentment, opportunity more than safety. But in spite of this, it is doubtful whether we could have achieved our present greatness as a nation, had it not been for the framers of the Constitution, and the government which they fashioned for us.

The proof is easy to find. Before the creation of our Constitution the American nation was a loosely connected aggregation of colonies, hemmed in by the ocean on one side and red savages on the other. There was no common feeling, no common purpose. There was every danger that these colonies might fall apart and set up a series of petty governments, so serious was the situation that many thought a monarch, recruited from Europe's royalty, was the only means of safety and stability.

But the Constitution changed all of this, and soon the United States of America was a going concern. It has been a going concern ever since. It has succeeded because our Constitutional government has given us the greatest possible amount of personal liberty, together with a profound and effective nationalism. Its system of checks and balances has worked successfully, and has done so because the Constitution is a practical document, framed not by theorists and professional reformers but by honest, sane,

hardheaded Americans, who numbered among their ranks some of the finest minds in the civilized world of their day. They built not upon theory but upon experience.

In these modern days internationalism and depression there has grown up in our country a tendency to sneer at the solid accomplishments of the past, to make light of personal liberty and of patriotism, to seek to substitute for the solid American precepts of the Constitution, a doctrine made in Europe, or perhaps in the Orient.

These ultra-modern preachers of the new faith tell us that the days of rugged individualism are gone, that the old customs and the old religion have outlived their usefulness. Instead of seeking to make our own way according to our ability, our industry, and our integrity, we are told that, under the new dispensation, Uncle Sam will do it all. Individual effort will not be the measure of our success; it will come to us thru regimentation and government regulation and control, perhaps in the long run thru federal ownership of property and control of the rights of the citizen. This doctrine, we are told is better than that which was taught by the Constitutional fathers. Many are inclined to accept it because it provides a way out, an alibi for our own shortcomings, no matter what these may have been.

But the so-called new idea, which is not a new idea at all, will not work. It has been tried in the past and has failed, just as it will fail again. Constitutional government, the American plan, has proved a success. If we cherish it and follow it, we will again pull from the slough of despond as we have so many times in the past. If we listen to strange voices and follow off after strange gods we will pay in ruin and despair, and our children, and our children's children too, will pay in full measure for our folly.

Let us then in this month of September, rededicate our efforts to the maintenance of American Constitutional government. Let us renew our faith in sound Americanism and send back to Europe an Asia the false doctrines which can do nothing but spread ruin and despair in the free atmosphere of America.

Nebraska's Political Sower

By James R. Lowell

"It is reported that one of the fastidious newly married ladies of this town kneads bread with her gloves on. This incident may be somewhat peculiar, but there are others. The editor of this paper needs bread with his shoes on, he needs bread with his pants on, and unless some of the delinquent subscribers to this "Old Rag of Freedom" pony up before long he will need bread without a damn thing on, and Nebraska is no Garden of Eden in the winter time.—J. R. L.

Recent events have called attention to the state banking system of Nebraska—namely the increased deposits in state banks, reduced number of state banks in operation, increased dividends being paid to depositors of same, and the platform of the republican state party adopted by last week's convention at Grand Island wherein a demand was made for a complete reorganization of the state banking department. This newspaper is presenting a brief description of the department as prepared by the Lowell Service at Lincoln.

Due to the instability of the early

banking institutions of the state, a general banking act was approved in 1889. Later, in 1895 a state banking board was created, and in 1909 the banking law was revised to provide that the auditor, attorney general and the governor, as ex-officio chairman, should constitute the board. The civil administrative code imposed the duties of the banking board on the bureau of banking. The legislature of 1929 provided for the appointment of a bank commissioner. The most conspicuous new feature was the guaranty fund required to be maintained by state banks.

The failure of many banks in 1921 led to the creation by the 1923 legislature of the guaranty fund commission to deal with the problem of insolvent banks. It operated until 1929, when the legislature abolished the commission and transferred its duties to the secretary of the department of trade and commerce. A special legislative session in 1930 repealed the guaranty of deposits law. Later that year a constitutional amendment was approved fixing liability of stockholders in banks.

The first bright note in the state banking situation in recent years came with the court decision that RFC funds to the extent of 75 per cent of the approved value of assets might be borrowed on a failed bank. This allowed the depositors to take out a good proportion of his money, and at the same time allowed the debtor three years in which to pay his indebtedness. This is one of the most helpful things that has ever happened to Nebraska state banks, according to E. H. Luikart, state superintendent of banks.

So far this year seven new state banks have been chartered, Scotia, Staplehurst, Burwell, Clarkson, Peru, Malmo and Decatur. No such banks were chartered in 1933, one in 1932, five in 1931 and one in 1930.

There has been a sizable decrease in the number of state banks, this year, but bank failures have fallen almost to zero. At present there are 300 unrestricted state banks in Nebraska, while about 20 state banks are now in the process of liquidating or re-establishing themselves. Up to Sept. 1, \$3,155,906 had been paid on dividends to depositors in failed state banks. R. F. C. funds were responsible in part for this, but contributing were the federal land bank commission loans, corn-hog money, wheat money, and, most helpful of all, corn loan money.

The year 1931 saw the greatest mortality rate for state banks. The number of bank failures decreased somewhat in 1932, and was still smaller last year. This year the number has been comparatively small, while at present the storm has blown over and bank failure is a rarity.

The bank guaranty law has lost its teeth, due to court decisions which destroyed the purpose of the law. As ordered by the courts, the benefits of the law have all gone to a comparatively few institutions, while the great majority of failed state banks have derived no benefit from the law.

Already this month dividend payments totaling nearly \$28,000 have been made by the state banking department to depositors in failed banks at Anselmo, Auburn and Elmcreek, in addition to a good proportion of their deposits which they had already received.

State banks, altho their number has decreased from 415 to slightly more than 300 during the July 1, 1933 to July 1, 1934 12 month period, have nonetheless shown an increase of over \$3,000,000 in aggregate deposits during that time and their reserve position is the strongest in history.

On July 1, 1933, deposits in state banks stood at an aggregate total of \$61,622,000 as compared with \$64,803,000 on July 1, 1934. Their cash reserve on July 1, 1933 was 53 per cent

of the total of \$39,485,000 in loans and discounts totaling \$26,299,000.

The sizeable decrease in number of state banks during the past year is attributed to three factors: Receivership of banks which were allowed to open temporarily on a restricted basis; voluntary liquidations; and consolidations. Nevertheless, Mr. Luikart says that the state has all the banks it needs with the exception of a very few localities.

The situation in state banking circles is vastly more hopeful now than for a number of years, according to Luikart. Deposits are increasing over a year ago every month. For example, Omaha bank clearings last Thursday were up nearly two million dollars over the same day a year ago, or \$5,384,574 compared to \$3,701,829 a year before.

The democratic and republican state conventions at Omaha and Grand Island, respectively, have left no doubt as to where the two parties stand as regards President Roosevelt. (Continued on page 5, column 3.)

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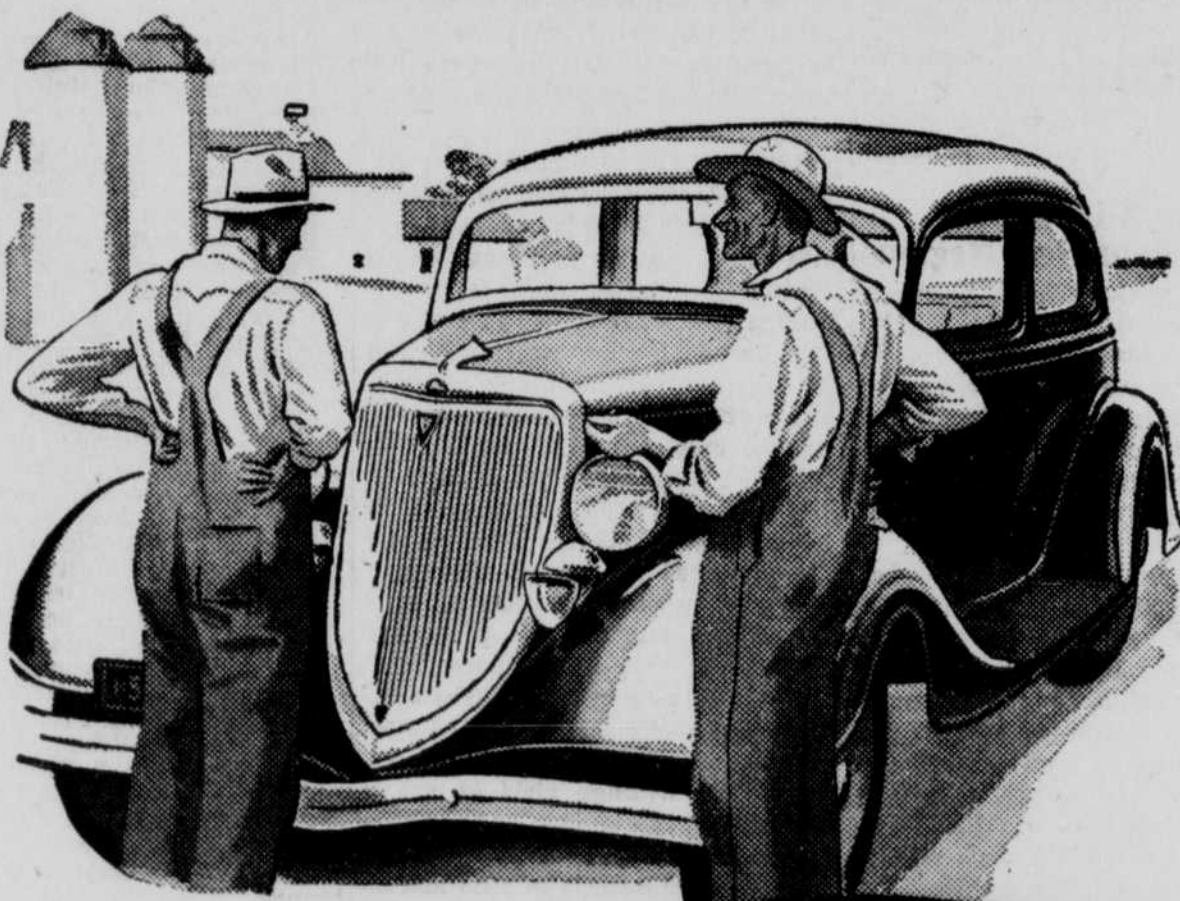
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