

Nebraska Ranks With Prosperous States of Union

1923 Crop Value \$29,000,000 Higher Than 1922; Number Cattle Increased 17 Per Cent.

Agricultural Nebraska's increased income from 1922 crops and live stock has placed the state among the most prosperous in the union today. The total value of its 1923 farm crops increased approximately \$29,000,000 over the 1922 crop value. The number of cows in the state have increased 17 per cent since 1921, compared with an increase of less than 5 per cent for the entire country. A comparison showed that the per capita value of agricultural and livestock products in Nebraska for 1923 was approximately \$400, while for the whole United States it was \$125.

Total crop and livestock in 1923 was valued at \$514,822,000.

Average per farm value of all agricultural products and live stock in 1923 for Nebraska was \$4,000, and in the United States \$2,000.

Increase is shown by the following table:

1922		1923	
Corn	\$105,792,000	Corn	\$144,188,000
Hay	49,868,000	Hay	59,468,000
Oats	19,076,000	Oats	27,566,000
Livestock	193,000,000	Livestock	248,000,000
Crop value	256,381,000	Crop value	285,823,000

LARGE INCREASE IN LODGE MEMBERS

Chicago, June 28.—Fraternal benevolent societies in America have had a tremendous increase in membership in the past year. W. R. Shirley, president of the National Fraternal congress, told a conference here of fraternal orders. "Fraternalism has made a great stride forward," said Mr. Shirley. "Reports of 200 fraternal benefit societies show 1,206,000 new members and new insurance amounting to \$1,254,000,000. This is the greatest advance made in any year except 1913. The societies' assets were increased more than \$46,000,000, reaching a total of \$581,119,000. Membership of the societies was increased to 10,195,017."

Grandmother, 32, Tells How to Remain Young

Philadelphia, June 28.—Paging the youngest grandmother in America! When Mrs. John P. Fox of Reading, 32, announced her claims to the distinction of being the youngest grandmother in Pennsylvania, she started something. For Mrs. William Hughes of this city has gotten upon her feet to remark that she was the mother of a daughter with children at the age of 32. She says to keep young a grandmother must have a variety of activities.

Trust Company Modern Solution to Burden of Property Management



By M. D. CAMERON, President, Peters National Bank.

The far-reaching effect on civilization of the mechanical inventions of the last hundred years is known to every one, but economic developments have taken place in this period that undoubtedly will make as profound a change in human life as the wonderful advancement that science has made.

The development of modern industry commenced when the plan was adopted through which the savings of the multitude were directed into channels of business through the ownership of stocks and bonds; but a change as far-reaching as the development of modern industry is taking place as the result of the growth of two modern institutions whose primary purpose is conservation, the trust company and the life insurance company, the two great developments of the last century for the preservation and safeguarding of property.

Stories are often recounted of the fabulous sums to which one dollar will ultimately grow if left at compound interest uninterruptedly over a long period of years and yet, although the remarkable growth of wealth when kept consistently at interest is well known, no great accumulations of wealth have developed in the past.

Throughout the middle ages there were wealthy men just as there are today and if one of these fortunes had been kept at compound interest continuously it would today be greater than all the wealth of the world put together. Here and there throughout all history individuals have developed who had the capacity for accumulating and conserving wealth but very often their genius died with them and their property was dissipated.

Modern Institution. The growth of the trust company and the life insurance company, institutions whose primary purpose is to conserve property and keep it working, has been a development of recent years. The life insurance companies now have vast reserves which are kept continuously invested, growing each year with the rapidity of compound interest. The trust companies of the United States hold in trust more wealth than existed in the

entire world not very many years ago. Part of this wealth is held for estates, but a great deal of it represents property placed in the hands of the trust company by individuals in order that they may be relieved of burdens and responsibilities or that they may take advantage of the trust company's trained judgment in handling investment matters.

Accumulating year by year, this growing wealth will before many decades have passed make possible a standard of living and a degree of affluence not dreamed of even in the period following the war when credit was everywhere available and money was spent with a freedom seldom before seen.

Performs Many Services.

The modern trust company is equipped to do many things to relieve the burden of managing and caring for property. This service ranges from a mere custody to the actual managing of business enterprises and the permanent administering of trusts established either by will or by individuals for the accomplishment of some purpose which needs continuing care. The trust company brings to this task many qualifications that the individual cannot possess. It brings continuing responsibility.

A trust company cannot discontinue its services and continue year after year unaffected by the ill-health or death which might overtake an individual. A trust company has financial responsibility. Its judgment is the united judgment of trained officers which cannot be impaired by old age, betrayed by misplaced confidence, or swayed by personal interests. Its records are kept accurately under the supervision of trained accountants.

The trust company calls to its service men of the highest type. Assuming the responsibility it does, it must recognize that it is not only a financial institution for the care and safeguarding of property, but that it often becomes the last defense of those in trouble and distress.

It is therefore not surprising to find that trust companies usually call to their staff men of the highest type who are not satisfied simply to earn a living, but who desire as well to contribute their share of service to humanity.

Federal Reserve Governor Tells How Bank Works

Declares New Banking System Made Winning of War More Easy; Makes Currency Elastic.

By W. J. BAILEY, Governor Federal Reserve Bank.

A complete history of the federal reserve act, with an analysis of its various functions, is not the purpose of this article. I hope I may be able to explain some of the things that do not seem to be well understood by the public.

Those charged with administration of the federal reserve banks are often surprised at how little the law is understood. This is even true of the officers of many member banks who apparently have not carefully read the act itself and have not followed the general letters which the federal reserve banks mail to their member banks, outlining the rules controlling the administration of the law.

Reason for Law.

For several years prior to 1914 it was apparent that the national banking system had not kept pace with the business of the country and was inadequate to meet the stress that periodically came to the business world. As a result, we had periods of depression and panics when no adequate means of credit was available to meet these conditions.

The panic of 1907 brought the crisis that aroused the public mind to the realization that the bond-secured national bank currency was not elastic enough to meet the needs of modern business. As a result, congress, in 1908, created the monetary commission, with instructions to make a study of world banking conditions and suggest remedial legislation that would give elasticity to our monetary system to meet the demands of business.

As a result, congress, in 1913, framed the federal reserve act that is now the monetary policy of this country. When the law was passed no one foresaw the terrible experience in store for this country and for the world. The administration of the federal reserve act was begun under peace conditions, but before the public had become accustomed to the operation of the law the world war burst upon us and swept away all restraint upon ordinary business or national credit, and we found ourselves in the midst of a business inflation greater than this country had ever known.

Looking back over the last 10 years, I cannot help but feel that it was providential that the federal reserve act was written upon our statutes when we were at peace with the world. And I further believe it would have been impossible to have met the great responsibility that came upon us as a nation under the old national bank law. With the machinery set up, and it did meet the great emergency and we were able, under its operation, not only to finance our own armies, but to assist in financing the armies of the allies.

Who Owns Reserve Banks. We are often asked really will answer by reference to the Federal Reserve Bank of Kansas City, and what is true of Kansas City is true of the entire system.

The Federal Reserve bank of Kansas City is owned by the stockholders, who are the member banks in the federal reserve district, composed of Nebraska, Kansas, Colorado, Wyoming and part of Oklahoma, New Mexico and Missouri.

All national banks are members or stockholder banks and such state banks and trust companies as have elected to join. Each member bank must subscribe to the capital stock of the federal reserve bank 5 per cent of its paid up capital and surplus, 2 per cent of which is paid in. Each stockholder is entitled to 6 per cent on his stock as a dividend, which is cumulative. Should the system be discontinued, the member banks would have returned to them their paid-in capital stock, plus 6 per cent dividend to date of liquidation.

Criticism of System.

Many member banks feel they should have interest on the reserve balances they are compelled to keep with the federal reserve bank. It is the opinion of the writer that any interest on reserve balances would weaken the system and prove fatal to the successful operation of the federal reserve banks.

Banks are quasi-public institutions and receive their charter either from the national government or the state in which they are located, and always there is a restriction placed on the amount of the banks' deposits that may be loaned. In other words, the law provides that a certain per cent of all deposits must be held as reserves to meet the demands of depositors.

Under the old system, part of the so-called legal reserves could be kept with a correspondent bank upon which the correspondent would pay the depositing bank an agreed rate of interest. Reserves upon which interest is paid are no longer reserves, for the bank that pays interest upon a deposit must loan the money so deposited in order that it may meet its interest charge. In 1907 the banks of the country found out that reserves kept with their correspondent banks were as truly loaned as was the money they had loaned over their own counters, and about all the reserves they had at that time consisted of the cash in the vaults.

To overcome this the federal reserve act provided that the legal reserves should be reduced about one-half and that all legal reserves should be kept with the federal reserve bank of the district in which its member banks are located.

The reserve balances carried by member banks with the federal reserve bank of Kansas City are at this time approximately \$70,000,000. Two per cent on this amount would mean \$1,400,000 in interest, and the entire earnings of the bank for 1924 will not exceed \$2,000,000.

In order to earn this extra interest charge the federal reserve bank would be forced into the open market to buy paper in open competition with its member banks, a thing that never was contemplated and should not be permitted.

Responsibility for Deflation. It has been charged that it was

the policy of the federal reserve board and the management of the federal reserve banks that caused the big slump in values in 1920. If this charge is true, the record should show that there was a falling off in the credit extended by the federal reserve banks to their member banks during the period of extreme deflation.

From January 1, 1920, to January 1, 1921, covers this period. On December 29, 1921, the Federal Reserve Bank of Kansas City had redemptions of its member banks to the extent of \$114,786,255.46. On November 8, 1920, it held redemptions of its member banks in the amount of \$184,277,697.84, an increase of credit extended to almost \$50,000,000 in practically 10 months and at the very time when prices were falling the fastest. During the same period the circulating medium was increased approximately \$5,000,000 by the issuing of federal reserve notes and federal reserve bank notes, thus disproving the claim that there was contraction of credit and of currency during the time of rapid deflation.

It was discovered in the early part of 1920 that the world's supply of practically everything that vested into human commerce was vastly greater than the world's ability to purchase and pay for. It was the old law of supply and demand working a fact that cannot long be ignored or prevented by legislation.

Economically Administered.

Critics of the system claim that the federal reserve banks are administered in an extravagant manner. We have a committee on economy and efficiency whose duty it is to keep a check upon every function of the bank. This is reported monthly to the federal reserve board at Washington, which publishes the comparative cost of operating each federal reserve bank, and it is our desire and purpose to make the showing of the bank at Kansas City compare favorably with the cost in the other banks of the system. We know at all times the unit cost of every function. To illustrate, we have reduced the cost of collecting cash items to one-half of 1 cent per item.

Luxurious Building.

The directors of the federal reserve bank at Kansas City have been criticized for building the magnificent building we have. The government has never appropriated a dollar for the establishment or the maintenance of the federal reserve bank at Kansas City or for any other federal reserve bank in the system. We built the buildings we occupy and have paid for the upkeep and maintenance from the bank's earnings. The conditions during the war and immediately following were such that the earnings of the banks were great, but this was an abnormal condition. Under normal conditions the federal reserve bank will be fortunate that earns its fixed overhead, including its dividend of 6 per cent. The federal reserve bank of Kansas City is barely doing that at this time.

When the earnings were large during the war, congress amended the original act, allowing the banks to build up their surplus out of their earnings to 100 per cent of their subscribed capital. At this writing the capital stock of the federal reserve bank of Kansas City is \$4,585,450, paid in by the member banks, and its surplus is \$9,495,529.69, earned. Our buildings have been built from our surplus. Our capital is intact and if we should charge off our buildings

we would still have a surplus equal to our capital. After doing all this the Federal Reserve bank of Kansas City has paid to the government in franchise taxes \$5,270,757.28. The entire system has paid to the government in franchise taxes \$138,000,000, besides expending a vast amount of money in handling the fiscal operations of the government for which they are not reimbursed.

It is desired that every citizen and every banker, state or national, realize the big thing the federal reserve system is to our national life. No country can be greater than its financial policy; upon it depends the nation's growth; it is the backbone of business prosperity, national happiness and content.

Occasionally a member banker will say to me: "I never have had occasion to have discount relations with the Federal Reserve bank and I question whether it pays me to be a member." The childless man or woman could as truthfully say "I should not be taxed to maintain the public school; I have no children to educate, so why should I be compelled to educate my neighbor's child?" The answer to the one is the answer to the other.

To maintain an intelligent citizenship is necessary to the nation's well-being; therefore the necessity of a strong national monetary policy is necessary to the carrying on of the nation's commerce; hence the federal reserve system. Both are entitled to the support of every loyal man and woman.

"She is a radical temperance woman isn't she?" asked Blinks. "Father," replied Jinks. "She serves no stewed fruits, never allows her husband to have a bun for breakfast, bans boiled dinners and won't even allow a toast to be drunk in her home."—Cincinnati Enquirer.



RICH GET POORER IN GREAT BRITAIN

London, June 28.—Although owning the great business of Baldwin's, big engineering concern in Britain, ex-Premier Stanley Baldwin has confessed that he is a poor man. "Since the war a great many conservatives like myself are much poorer," said Baldwin, in addressing the electors of his constituency. "It is as well to tell you frankly that there are a number of requests for subscriptions to which I cannot accede simply because I have not the money. "In the last three years I have paid \$3,000 for fighting elections, and I tell you frankly I have only been able to do so by selling capital." A few months ago Baldwin gave \$25,000 to the hospital in the little village where his country house is situated. During the war he gave \$500,000 to the British treasury.

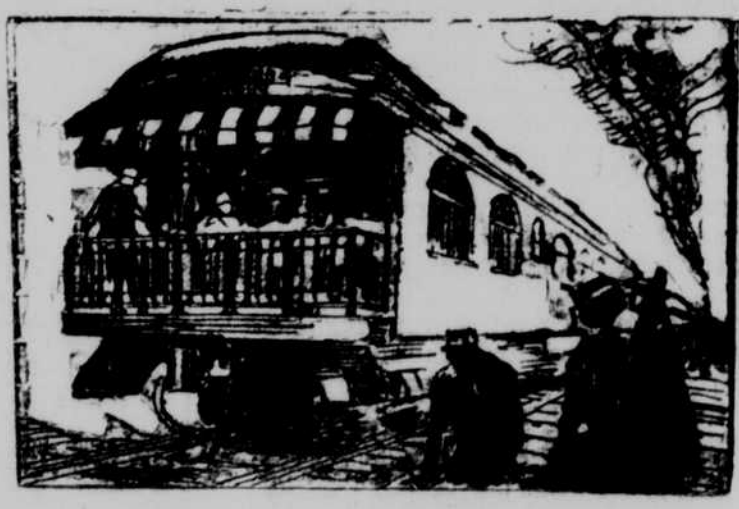
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