

PUZZLE OF WHY DEBT HELPS SOME BUT HARMS OTHERS EXPLAINED

How a Debt Can Be Put to Work to Increase Earnings— Thrift and Loans Go Hand in Hand to Aid the Industrious.

The true use of debt in personal and business affairs remains something of a puzzle to many people. To some the very word "debt" signifies misfortune, while others merely fail to understand the ways in which they can put a debt to work for them to increase their earnings. The Committee on Public Education of the American Bankers Association has undertaken in the following discussion of how and why banks loan money to clear up these misunderstandings:

Some people think that to incur a debt at the bank is unwise, or a reflection on their business standing. This is not the case where the debt is contracted for legitimate business purposes. Incurring debt to live beyond one's income is something no thrifty person would do, and careless use of credit leads to extravagance and disaster, but wise borrowing is an encouragement to thrift and industry.

The first function of the banker is to encourage industry and thrift so that a large fund of bank deposits may be accumulated. This fund is often likened to a reservoir in which water is accumulated for community needs. The banker then loans from this fund to those conducting the business of the community.

The banker bases credit on what are known as the three C's of credit—Character, Capacity and Capital. Character is an imperative business qualification. Allied with character is Capacity. Before making a loan a banker takes into consideration the capacity of the applicant—that is, his ability to earn through his honesty and his industry. Capital is a man's worth in money, merchandise, stocks and bonds or lands, which may be given as collateral in security of a loan to make it safe.

Let us consider the business transactions of Mr. Smith, the storekeeper. He finds, with his business increasing, that he needs a larger stock of goods. Also, some of his customers do not pay cash, and their accounts must be carried until "pay day." He must have more money for his business, so he goes to his banker for advice. The banker asks Mr. Smith to submit a statement of his business, showing what he owns and what he owes. He knows Mr. Smith's character and responsibility from his observation of his dealings and from the confidence that people have in him. If he finds Mr. Smith's statement, and the progress he is making, satisfactory he will be glad to consider the best method of loaning him the needed funds.

How Money is Loaned

Money is loaned by banks on straight notes, on indorsed notes, on collateral notes, on bills receivable and on trade acceptances. Mr. Smith may be told by the banker that, because he has sufficient money in his business and manages it well, the bank will extend him credit without his putting up any security beyond his own word of honor, evidenced by his note.

Let us say that Mr. Smith needs a maximum amount of \$2,500 during his busiest season and that the bank has consented to grant him such a "line of credit." Mr. Smith could come to the bank and make out a note for any portion of all of this amount for any time up to six months. To pay some bills he needs, say, \$500. He estimates that within sixty days he will receive from his charge customers enough money to repay this amount. He therefore makes a sixty day note, which the banker "discounts" at the prevailing rate of interest, let us say 6 per cent, and places the proceeds to Mr. Smith's credit. How much does he credit to Mr. Smith's account? Six per cent on \$500 for sixty days is \$5. This amount the banker deducts at the time the note is made, it being the interest which he charges Mr. Smith

for the use of the money. He then credits Mr. Smith with the proceeds of the note, or \$495. When the note is due in sixty days Mr. Smith has received payment from his customers, and he pays the bank \$500. The bank marks the note paid and returns it to Mr. Smith.

If Mr. Smith's business condition were not sufficiently strong to warrant granting him unsecured credit the banker might say to Mr. Smith, "I want to help you, but you will have to get the indorsement of your friend, Mr. Jones." Jones is known to the banker as a very reliable and responsible business man. Should he be willing to help Mr. Smith he will write his name on the back of Mr. Smith's note and if Mr. Smith cannot pay the note when due Mr. Jones will have to pay.

In another case the banker, still anxious to help Mr. Smith, might say, "I am willing to loan you up to \$2,500, but you must secure the loan with the goods which you purchase for that amount and with some additional goods." Mr. Smith would have to warehouse the merchandise used as collateral in such a way that it might be easily identified through warehouse receipts as being the bank's property until the note is paid. If Mr. Smith finally found himself unable to pay, the banker could sell the merchandise and use the proceeds to pay the note. If the goods brought more than the amount of the note the bank would pay the excess to Mr. Smith; if the amount were not enough the bank would look to Mr. Smith to make good the difference.

Mortgage Loans

Loans against farm lands, called mortgage loans, are frequently made in country districts. If Mr. Smith, lacking an indorser or sufficient collateral or business standing, owned a farm free of debt he might give a mortgage on it as security.

The procedure would be somewhat different from loaning against merchandise. The law, realizing the useful place farm and home owners occupy, protects them in a special manner. It says to the lender, in case of default on a mortgage loan, "You must give this owner of land one year after serving notice that you expect to sell his land to pay the mortgage and redeem the debt." This is called the period of redemption.

Mr. Smith has still another method open to obtain funds from his banker. He has sold, say, a \$500 bill of merchandise to Mr. Brown, a dealer in a smaller community, who must sell the goods to his own customers before he can pay Mr. Smith. Mr. Brown agrees and makes his ninety day note for \$500 with interest at 6 per cent. Mr. Smith takes this note to the bank, which advances him credit for \$500. When the bank collects the note from Brown ninety days later it receives \$507.50, the added \$7.50 being the 6 per cent interest charge for the use meanwhile of the money for the ninety day period of the note.

These are the various ways in which the bank serves its community by placing, through loans, the accumulated thrift of the community at the disposal of business and industry.

advice he needed during the period of prosperity, but he, with us all, suffered depression. There clearly must have been something lacking to enable him to go on the even tenor of his way. The answer is very plain. It is that some means need to be provided to enable the farmer, after his labor has been expended, when the crops have been harvested, or when his live stock have reached the stage where he must ship it, to liquidate his indebtedness. He must have somebody interested in him sufficiently, not altogether from his own standpoint, but from the standpoint of the banker and business man, so that he can put his products on the market at the time when they will bring him the most.

I do not mean to indorse every imaginable scheme for co-operative marketing, but I do believe the basic idea is worthy of consideration from the banker's standpoint as well as the farmer's standpoint. Bankers are certainly interested in the farmer, by reason of the fact that they cannot be prosperous in their own business unless the farmer also is prosperous. They must interest themselves in the farmer, not only in giving him the business advice he needs and in financing him during the period of construction, but also in helping him place his products on the market at a time when they will bring him the most of production, plus a reasonable addition for his services and in payment for his labor expended.



The man who claims to be unlucky is most often just plain lazy.

A really pretty man is usually the most useless work of an all-wise Creator.

In these days of automobiles Nares should supply pedestrians with spare parts.

Another characteristic of magazine story men is that they never talk, they always "boom."

The most important part of a church or lodge doings is the committee on refreshments.

In spite of the obligations he takes a lodge brother can skin you as neatly and completely as anyone else.

A lot of folks will be unhappy in heaven when they find that their own denomination does not run it.

High schools don't advertise a course in mail order buying but too many of them have it, just the same.

All over Nebraska high school graduates are now saying, back up here old world and get your tail twisted.

Some men would look better if they would make a practice of wearing shirts that match their chewing tobacco.

The cost of living has gone up 68 percent in the last ten years. But dying is no more popular than it ever was.

A Gering man used mighty poor judgment the other day. He stopped into Bill Maupin's office to get out of the wind.

Speaking of fooling yourself, the chap who thinks he pays no taxes because he has no property leads all the rest.

One way to avoid collisions is to figure that the other driver will have no more sense in a tight place than you will have.

Fifteen dead rats were found in a Scottsbluff still recently. The people out that way like their hootch with a real kick in it.

Someone remarks that the difference between the people and politicians is that the politicians know what they want.

One advantage a man has over a boy is that he can go to a barber shop and have the dirt scraped off of the back of his neck.

Your competitor may be just as low down a scamp as you think he is. But you lower yourself to his level when you adopt his plans.

I've got to find something to do out in the state. The Boss had me working in the garden last week. Next, she will expect me to help clean house.

Lew Shelley's idea of heaven is to spend the rest of his days playing sevenup. If he were as up to date as he pretends to be he would want to play golf or pinochle.

I might be more enthusiastic about hot lunches for school children if I didn't know so many hard baked old codgers who lunched on cold pancakes, cold fried eggs and other such fodder when they went to school. And they have lived many years to tell the tale.

Hank Leggett thinks that the reason the women swarmed around Jack Kroh and Emerson Purcell so much in the legislature is because they loved them. Evidently, Hank has never heard of feminine lobbyists.

Among Nebraska women who are expert interior decorators are The Boss, Mrs. Jack Kroh, Mrs. Ase Wood, Mrs. George Snow and Mrs. Harry Flory. The tools of their art are a skillet and other similar utensils.

Why do magazine story characters always eat jam, drink hootch, pay no attention to speed limits and otherwise flout most of the decencies of life? And whoever heard of any man, except a magazine character, "singing discordantly in his bath?"

No ad writer has ever yet tried to make it appear that a pipe is dainty and sanitary.

Chattie Coleman growls because so many people do not do their work as promptly as they show up for their pay.

Gus Buechler declares that if he ever gets into trouble he will refuse to be tried by a woman jury. Years of experience in married life have convinced him that he can't fool one woman, say nothing of twelve.

Northeast Pawnee

Mr. and Mrs. Burt Payne were in Red Cloud one day last week.

Frank Brown and Harve Blair drove to Smith Center on Saturday afternoon.

A number of farmers were listing corn last Sunday probably exchanging days.

John Brown, Everett Myers and Clifford Noble trailed at Womer Saturday last.

Mr. and Mrs. Frank Ryan, and Mr. and Mrs. Jim Ryan were at Womer doing their trading.

Harve Blair shipped a car of cattle to Kansas City on Monday. He is to accompany the shipment.

John Collins, Bennie Mohler and Jim Leadabrand were doing their shopping at Womer last Saturday.

Mr. and Mrs. Everett Myers Mrs. Pat Gouldie and daughter Anna went to Smith Center last Sunday.

Mr. and Mrs. Jim Collins were visiting with the latter folks Mr. and Mrs. Herb Barber one day last week.

The mail carriers of the various routes have had a good rest as no mail was received during the greater part of the week so the people in general are at a loss for reading matter as well as over anxious to hear from those they like best.

Owing to the incessant rains which prevailed during the greater part of last week considerably retarded corn planting. Nothing done in that line during the four remaining days of the week consequently a good many will be in for June listing besides some will have to resist on account of cut worms as well as washouts.

Well diggers who were shrewd and far seeing enough would make some money and lots of it if they had to take contracts in digging wells, make good headway and finish or accomplish their contracts in short notice as they could strike water before they start thereby start in atal, thereby saving considerable toll and expense.

Though the farmers of Smith county suffered much from patches of washouts etc. they did not in a long way come to such a big loss as hundreds of farmers in the bottom lands along the Republican river which for miles east and west was completely inundated forming an immense lake. Still the loss sustained may not be so bad as one might imagine. A month or so later the devastation would be many times greater.

A great many from this vicinity went up north to the Republican these last few days. Some went for curiosity sake to see the flood, some others in the hope of getting to town to get their mail as well as to transact business, but nothing doing in that line. Alas between them and town and surrounding county there is a great chaos, one could not get hither the other could not come thither.

Commencement Exercises

Last Thursday evening, May 24, at the Auditorium, the commencement program for the thirty-five graduates of the Red Cloud High School for the class of 1923 was rendered to a large audience.

The overture was played by the high school orchestra, also the march. The graduates marched down the north aisle and to their respective seats on the stage, and the large class made a splendid showing in their very pretty graduation clothes.

The invocation was read by Rev. H. A. Frantz, and the salutatory was given by Erwin Schneider, after which a solo was rendered by Mrs. Chas. Gellatly.

The oration, "Strong in the Pinches" was by E. L. Rouse of Scottsbluff, and he gave many facts throughout his talk.

A song by the Senior girls octet was much appreciated, after which E. J. Overing gave a short talk and then presented the diplomas to the graduates. Valedictory by Miss Neva Bruner who received the highest scholarship of the class, and benediction by Rev. C. G. Nelson, closed the exercises.

The Margin of Safety

Is represented by the amount of insurance you carry.

Don't lull yourself into a fancied security.

Because fire has never touched you it doesn't follow that you're immune Tomorrow—no today, if you have time—and you better find time—come to the office and we'll write a policy on your house, furniture, store or merchandise.

—LATER MAY BE TOO LATE—

O. C. TEEL

Reliable Insurance

Place Your Coal

Orders Now

The Mallone-Gelatly Co.

BANKRUPTCY

PUBLIC SALE

Of the John Galbraith Property by order of G. Norberg, Referee in Bankruptcy, on the A. T. Walker farm, 3 1/2 miles North and 2 1/2 miles West of Inavale.

THURSDAY, JUNE 7, 1923, at 1:00

69 Head of Stock

5 HEAD OF HORSES

Team Good Grey Geldings, wt. 2800; Black Mare, wt. 1200; Bay Mare, wt. 1200; 2-yr. old Colt.

20 HEAD OF CATTLE

Consisting of 8 Cows, some A No. 1 Milk Cows, and some with calf at side; Good Durham Bull; Some Good Yearling Steers and Heifers; Few Young Calves

44 HEAD OF HOGS

43 Head of Good Sows and Pigs; 1 Good Boar

FARM MACHINERY, ETC.

Deering Mower, new; John Deere Single Row Cultivator; Disc; Hay Sweep; P. & O. Corn Planter; Kingman Gang Plow; John Deere 6-shovel Cultivator; Weber Wagon; John Deere Lister; 2 Sets of Work Harness; Dodge Auto and Numerous Other Articles.

TERMS:—\$10 and under cash. Sums over \$10, 6 months time at 10 per cent.

FRED MAURER, Trustee

J. H. ELLINGER, Auct.

S. R. FLORANCE, Clerk

Wheat Comes Out Rapidly

Wheat has made wonderful strides in Southwest Nebraska in the past three weeks and in many fields where it was feared the crop would not be worth harvesting it is said the conditions are now promising for a big yield. The ground is soaked and conditions are ideal for the crop to continue growth and development.

That was the report brought back to Lincoln, Monday morning by General Superintendent L. B. Lyman of the Burlington who had spent four days in the flood country of the southwest. He says some corn was washed out on the lowlands and this will be replanted. The ground is soaked and conditions were never better for a crop in that section than now.

He noted the transformation in the wheat fields. Where a few weeks ago the fields were thin, almost bare, the plant has stood out until it covers the ground and gives promise of a big yield where no return at all was looked for.—Lincoln State Journal.

"Crocodile Tears" Real Things. It is said that crocodiles moan and sigh like a person in distress to attract people to the spot. They even shed tears over their prey while devouring it.

BILL BOOSTER SAYS

DO YOU EVER NOTICE HOW FOLKS WHO HAVE MOVED AWAY FROM HERE FREQUENTLY DECIDE THERE'S NO PLACE LIKE THE OLD HOME TOWN AND MOVE BACK? THERE MAY BE BIGGER TOWNS THAN THIS, BUT THERE AIN'T ANY BETTER ONES!



State Line

Mrs. Noble was trading in Womer Saturday.

Mrs. Harve Blair went to Duckerville Friday.

No mail since Tuesday on account of the high water.

Several from this corner viewed the high water Friday.

F. M. Brown and family made a trip to Smith Center Saturday.

Frank Brown and Minor Hubbard went to Lebanon Saturday.

Ralph and Marion Brown spent Saturday night and Sunday with Lester Ingram.

Annual Meeting of School Dist. No. 36

The annual meeting of School District No. 36 will be held at that school house, Monday, June 11, at 1 p. m., for the purpose of electing officers and voting a levy for taxation.

B. F. Watt, Director.

Order and Notice of Probate

In the County Court of Webster County, Nebraska.

To all Persons Interested in said Estate TAKE NOTICE, That a petition has been filed herein, praying for the probate of a certain written instrument, now on file in this court, purporting to be the last will and testament of Michael Donovan, Deceased; and that said instrument be admitted to probate, and that administration of said estate be granted to F. E. Maurer, as administrator with the will annexed.

It is hereby ordered that you and all persons interested in said matter, may appear at the County Court room, in the City of Red Cloud, in said county and state, on the 8th day of June, 1923, at ten o'clock, A. M. to show cause if any there be, why the prayer of the petitioners should not be granted, and that notice of the pendency of said petition, and the hearing thereon, be given to all persons interested, by publishing a copy of this order in the Red Cloud Chief, a legal weekly newspaper published in said county, for three successive weeks prior to said day of hearing.

Witness my hand and the seal of the County Court this 21st day of May, A. D. 1923.

(Seal) A. D. RANNEY, Judge of the County Court.

What Farmers Need Added to Credit And Good Advice

By WALTER W. HEAD
First Vice President American Bankers Association.

If the farmer is not prosperous there can be no permanent prosperity in other industries, because the farmer's purchasing power, under normal conditions, is one of the most potent influences we have in the United States. When conditions with the farmer are good, and he is receiving the cost of production plus something more for his labor, he is in a position to buy from the manufacturer.



Walter W. Head

A condition that affects the farmer, cutting off his purchasing power, destroying his belief in himself, in the banker and in everybody else, can only bring about a chaotic condition, which affects every business man and laboring man in the United States, regardless of what job he may have. The farmer had all the credit and