

Fremont Banker Answers Earhart On Discount Rate

Dan V. Stephens Declares One Nebraska Bank Wrecked By Action of Federal Reserve Officers.

Fremont, Neb., Oct. 23.—(Special Telegram.)—In response to the statement made by L. H. Earhart, manager of the Omaha branch of the Federal Reserve bank, Dan V. Stephens, member of the bankers' committee appointed by Governor McKelvie to make a formal protest against the high discount rates and general management of the Federal Reserve bank, issued the following:

"Mr. Earhart will find great difficulty in explaining to the people of the Tenth district why the discount rate should be 6 per cent, while a district of a similar character, namely the Chicago district, is operating under a 5 1/2 per cent rate.

"Both districts are agricultural, with manufacturing and commerce predominating in the Chicago district. Will Mr. Earhart explain to the people why agriculture, which furnishes more deposits in the Kansas City bank than in the Kansas City bank will be compelled to make such a rate.

"Mr. Earhart makes an amazing declaration, that the facts do not justify the charge made by the bankers' committee that liquidation has been foremost in the minds of the officers of the Federal bank at Kansas City. It is unbelievable that Manager Earhart should be unmindful of the fact that at a meeting of 100 bankers at Omaha, called by the governor, there was but one voice raised in defense of the management of the Federal Reserve bank, and that was from a banker in the sand hills, who had but very little experience to justify his position.

"Mr. Earhart can find hundreds of bankers who will absolutely deny his statement, or we can find them for him, if he don't believe it. The cold-blooded truth is that the unreasonable demands for liquidation made by the Omaha branch upon its member banks drove them practically to a position where they were unable to serve any useful purpose in their respective communities. This insistent demand for liquidation, if it had continued, would undoubtedly have closed the doors of scores of banks.

"One bank we know of was absolutely forced to close its doors, wholly due to its action of the Federal Reserve bank in Omaha. It has earned the title in this case of being a bank wrecker and should be prosecuted as such if there was a statute allowing such action.

"Governor Miller and his wrecking crew at Kansas City will have to answer to the people yet for the manner in which they have managed the people's business. Manager Earhart would have done well not to have offered a defense, unless he had something to offer that would appeal to rational minds.

"Manager Earhart makes the astonishing statement, which he thinks shows the liberality of the Federal bank, to the effect that 37 per cent of the loans made by that bank at the peak of the season last November was made for agriculture. He apparently does not know that the business of 90 per cent of the people of Nebraska is agriculture, and on his own statement, his bank has failed to serve it only in a minor degree.

"At the present time he alleges that 50 per cent of the loans are made to agriculture. When Manager Earhart can state that 90 per cent of the loans from the Federal bank have been made to agriculture, then we can praise his management for serving the people as the law contemplated."

Bargain Days Are Huge Success at Plattsmouth

Plattsmouth, Neb., Oct. 23.—(Special.)—Plattsmouth's fifth monthly bargain day brought buyers from far removed sections, and during part of the afternoon parking space for cars could scarcely be found anywhere in the business section. The bargain days, sponsored by the Plattsmouth Ad club and participated in by nearly every business house in the city, are carried out without entertainment features of any kind, the merchants believing the buyers would rather have the cost of such handed down to them in the form of lower prices. Last month it was noted to continue the sales days at least six months.

Raid on Private Yacht Yields 600 Cases Whisky

New York, Oct. 23.—The private steam yacht John Scully, tied up at Martins dock, Stapleton, Staten Island, was raided by customs officials, who claim to have found 600 cases of liquor on board. The federal authorities started an investigation which they believe will connect the yacht with a gigantic plot for smuggling liquor into this country. Customs agents who boarded the vessel said they found most of the crew intoxicated and the captain absent.

Winter Wheat Situation Serious, Due to Lack of Rain

Beatrice, Neb., Oct. 23.—(Special.)—No rain has fallen in this section of the state for some weeks and as a result the winter wheat situation is growing more serious from day to day. Some farmers have plowed up their fields and expect to resow the grain when rain falls.

Hunter Killed After Argument Over Duck

Antioch, Ill., Oct. 23.—Dispute over the ownership of a dead duck resulted in the fatal shooting of John L. Johnston, 30, member of the hardware specialty firm of Ackerman-Johnston company of Chicago.

Johnston and George Niggemeyer, the latter owner of a boat livery here, were shooting ducks on Fox lake. Both fired at a duck which fell and both claimed it. A heated argument ensued, but, according to witnesses, Johnston started to row his boat away from the spot, when Niggemeyer fired at him. Johnston was shot in the back of the head and died almost immediately. Following the shooting, Niggemeyer rowed hastily to shore and disappeared.

Monthly Review Reports Steady Business Growths

Fall and Winter Goods Showing Activity—Rise in Cotton Prices Lifesaver for Southern Farmers.

Chicago Tribune—Omaha Bee Leased Wire. Washington, Oct. 23.—Business conditions continue to show a moderate improvement in nearly all sections of the country, Archer Wall Douglass, chairman of the committee on statistics and standards of the Chamber of Commerce of the United States, announces in his monthly review of the business situation.

"Fall and winter seasonal goods are beginning to move and the outlook is for fairly good business the remainder of the year," he says. "As the season advances there appears to be a better prospect of a good holiday and Christmas trade. One of the most striking developments is the great improvement that has come about in the south, due to the rise in cotton prices. The good effects of this boom will not be confined to the southern states, but will be reflected in other districts.

"The story of the sudden rise in the price of cotton is a dramatic one. In August there seemed nothing ahead for another 12 months but the practice of grim fortitude and endurance which carried the south through periods of depression and trial. In fact, hard times and the people of the south are old acquaintances, and more than once they have been close to the ragged edge of disaster. This time they were dealt broke, although they possessed all manner of real wealth in an abundance of food, the greatest crop of corn ever raised, more live stock than ever before and much cotton carried over from the previous season.

"But there was scant demand for these commodities and then only ruinous prices. So they obligations could not be met for lack of ready funds. Then came the government's September report and the south came back after a sudden and dramatic fashion. The burden of obligations will be mostly disposed of before the winter is past. Cotton is being sold freely and the farmer will dispose of most of his holdings by the new year.

"Business already has felt the impulse of the incoming currency and will grow gradually better. "Such change as is apparent in industrial life generally is rather for the better. Textiles are in fair shape and leather maintains both its demand and appreciation in prices. There is some increase in the output in steel and iron products, but the recent rise in prices is not altogether convincing as to its being permanently higher.

"There is better demand for lumber at somewhat higher figures. The belief is general that next spring will usher in rehedwed construction activity. "The oil business seems to have struck bottom and started upward."

Prospect for Agreement on Shantung Gone

Chicago Tribune—Omaha Bee Leased Wire. Washington, Oct. 23.—Prospect of a settlement of the Shantung issue between the governments of China and Japan before the international conference on limitation of armament convenes in Washington next month, went glimmering with the publication through the Japanese embassy here, of Japan's reply to China on the latter's memorandum of October 5 bearing on the controversy.

The Japanese government expresses a keen desire for speedy settlement of the Shantung dispute and invites further negotiations to that end, but takes decided views in opposition to the Chinese plan as expressed in reply to Japan's proposals of an earlier date.

The failure to agree upon a basis of settlement will, in the opinion of Washington statecraft, include any further progress in the negotiations between the two powers before the date set for the Washington conference which will primarily discuss the problems of the Pacific and far east. Such a result will leave Shantung one of the outstanding sources of dispute and make it a subject of supreme importance before the conference, in all probability.

Japan, in the latest note to China, feels aggrieved at the attitude of China toward the former Japanese proposals regarding Shantung and flatly denies the claim of China that it is entitled to return to former German territory unconditionally. This, the Japanese government observes, has no justification either in international law or under existing treaties between China and Japan.

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Advertising as an Investment

By ROY DICKINSON, in Printers' Ink.

"AND the banker said to him, unless you cut down this appropriation you intend to spend in advertising, I will call your loan."

This conclusion to a talk which I had recently with the vice-president and general manager of a big industrial corporation, himself a user of big space, made me wonder whether there is still much of this attitude among bankers toward advertising appropriations. A trip to several agencies and talks with men from various parts of the country, makes me believe there are two divergent views and that a discussion of them may help clear up one of the things which is holding back better sales and advertising plans at the present moment.

First, let it be understood that the quotation at the start of this article refers to a banker in a small city where there are two big manufacturers who were national advertisers. In addition to the definite instructions to this particular advertiser, this small-town banker said that his bank was a conservative business institution and preferred to deal with conservative business men. His definition of a conservative business man seemed to be a man who does not advertise.

Whether advertising is a bankable asset, just what a conservative manufacturer is, and why the banker in the small town should take a different attitude toward advertising from that of his big-city brother, are points which have an important bearing upon the present business and advertising situation. For the banker in the big city, my investigation showed, is not taking the small-town attitude.

Two groups, representing a great deal of capital, have recently taken over the management of several corporations that are national advertisers. In four separate and distinct cases, at almost the same moment they assumed the management of the company, putting in one of their men as president or vice-president, these bankers announced that they had selected a certain advertising agency and that advertising plans would be carried out—advertising appropriations in some cases increased.

Just what is "a conservative manufacturer?" George Eastman, president of the Eastman Kodak company, says this: "Right now the economical production of goods is most important, for not only are people spending less freely, but competition is keen. Other manufacturers, including foreign manufacturers, with low labor costs, are after our markets. To offset this we are increasing our sales force and increasing our advertising."

I believe that George Eastman is a conservative and successful manufacturer. I believe that his plan to increase his sales force and his advertising appropriation, to put more men back at work producing, is a sound business proposition.

Is the Victor Talking Machine company a conservative institution? This company may well be called conservative, if a 23-year record of steady development and an increase of \$2,500,000 of cash on hand since January is any criterion. But the Victor company would scarcely fit the country banker's definition of conservatism, because the amount it is spending for advertising this year is greatly in excess of the appropriation for 1920, which up to that time had been the company's biggest advertising year. Yet the country banker stated that people have no money to buy clothing, breakfast food or alarm clocks, let alone Victrolas. He would probably refuse to see any connection between the Victor increased advertising appropriation and the fact that Victor sales for the first five months of 1921 are larger than for any other period in the company's history. Conservative companies, in my opinion, can by no means be considered to consist exclusively of non-advertisers. I am no banker, but it would seem to me that any force which results in breaking down sales resistance, in putting more men back producing, and thus giving them more money to spend upon another manufacturer's products and which increases sales in slack times, should be considered a bankable asset.

A well-known company got into financial difficulties through too rapid over-expansion and by tying up a great deal of money in inventories. A committee of bankers took over the management of the company. They put in a man of their choice as head. One of the first moves they made would be surprising to the small-town banker who made the remark quoted at the opening of this article. A dividend date was almost due. When the company could not borrow money at the bank a few months before, it had been forced to cut down its advertising appropriation. The big city bankers did this: At the meeting of the board of directors they suggested a postponing of the dividend on the common stock, and urged that the money which would have been sent out to the stockholders of the company be spent upon an intensive advertising and sales campaign. In this action of theirs, right or wrong, there was the realization that the buyer of the product is in the last analysis the person who pays both dividends to stockholders and wages to the factory worker. They believed that in a crisis in the company's affairs the best use to which they could put any ready money was in the building up of sales and good-will.

Advertising can, and does, build up tangible good will assets and increases the sales of any product which is made right and merchandised right.

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