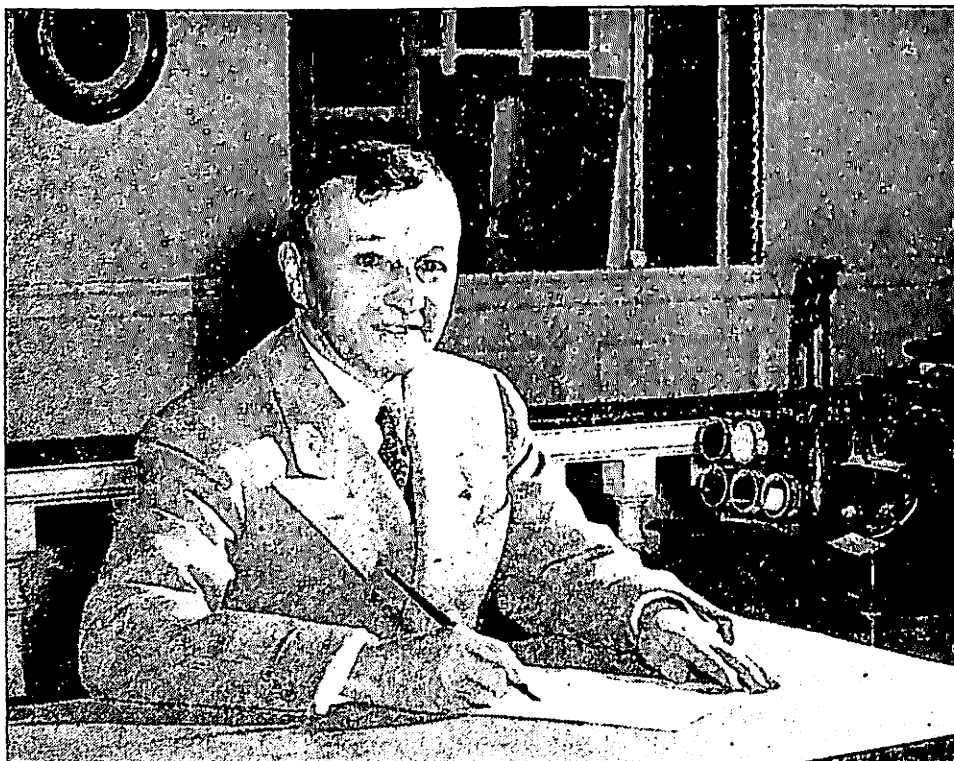


SAVINGS AND LOAN

ANNALS

1952



SAVINGS AND LOAN ANNALS

1952

A handwritten signature in cursive script, appearing to read "Dew N. Hagan".

PRESIDENT, 1952

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FOREWORD

IN THIS VOLUME are recorded the addresses and committee reports which were presented at the 60th Annual Meeting of the United States Savings and Loan League. Whereas the League's organization meeting had been held in Chicago, currently the home of its headquarters office, this Diamond Jubilee celebration was held in New York City within the confines of the Empire State of which the League's first president, Judge Seymour Dexter, was a native.

It attracted a record attendance of 2,800 delegates and friends and featured an historical display of such mementoes of the early years of the organization as the secretary's first minute book; old copies of *(The Co-operative News)* and *(The American Building Association News)*, the predecessors of our own U.S. League's monthly magazine, *Savings and Loan News*; actual specimens of beribboned convention badges; enlarged reproductions of group pictures of the delegates who attended turn-of-the-century conventions; and many other interesting items.

It was also the occasion for marking another significant milestone—the 20th anniversary of the Federal Home Loan Bank System. In the two decades that this depression-inspired reserve system has been in operation, it has served well the business, which now owns all its stock, and built up a market for its securities which should stand savings associations and co-operative banks in good stead should these member institutions require a maximum extension of its credit facilities.

Fortified by the knowledge that the total assets of the business had crossed the \$20-billion mark early in the year and that a new Washington administration, which gave every evidence of a determination to take Federal Government out of private business, would be inaugurated early in the coming year, delegates evidenced complete confidence that the business would continue the same phenomenal growth that has characterized it since the close of World War II.

At committee meetings and in both the general and shop-talk sessions it was apparent that member managers of the United States League are coming to appreciate the broadened responsibilities of

their local savings associations and co-operative banks to the communities they serve. They are taking an increasingly active part in community and service groups and opening their ultra modern offices to the public for meetings of these various organizations. They are making a conscious effort to increase the public's knowledge of the savings and loan business, and this volume of *The Annals* includes a greater wealth of promotional ideas designed to accomplish this purpose than any in the long history of these yearbooks.

To aid managers in fulfilling this broadened concept of their jobs, the United States League now has the largest and best-trained staff of specialists in its 60 years of service to the business. They are dedicated to the advancement of the savings and loan business in its service to homeowners and savers and will welcome any suggestions from member managers that will make the United States League the best possible servant of that business.

BEN H. HAZEN

TABLE OF CONTENTS

Foreword	vii
Index	xiii

BOOK ONE—GENERAL SESSIONS

Sixty Years of Service to Thrift and Home-ownership	<i>Ben H. Hazen</i>	3
The Coming Showdown with Communism	<i>Lewis K. Gough</i>	10
Our Supervisory Responsibilities	<i>Hon. William K. Divers</i>	16
Background and Potential of Thrift Institutions	<i>Levi P. Smith</i>	23
Long-term Trends in the Economy	<i>Dr. Raymond Rodgers</i>	28
A Bigger Part in Community and National Affairs	<i>Morton Bodfish</i>	35
Meaning of the Presidential Election....	<i>Dorothy Thompson</i>	41
Management and Operating Policies for 1953	<i>Arthur M. Weimer</i>	53
	<i>Walter H. Dreier</i>	54
	<i>Robert R. Taylor</i>	59
	<i>Marion M. Hewell</i>	62
	<i>Gerrit Vander Ende</i>	65
Remarks of Convention Guests	<i>Wilhelm Flatz</i>	67
	<i>Dr. Hermann Schuon</i>	71
Communications		73

BOOK TWO—SHOP-TALK SESSIONS

Breakfast Shop-talk Sessions	83
------------------------------------	----

BOOK THREE—REPORTS

Annual Statistical Report	95
Report of Chairman on General Administration and Legislative Matters <i>Morton Bodfish</i>	107
Report of Executive Vice President on Services, Relations with Other Organizations and Other Administrative Matters <i>Norman Strunk</i>	126
New and Revised State Laws <i>Horace Russell</i>	156
Memorial Resolution <i>Walter J. L. Ray</i>	161
Resolutions	169
Official Program of 60th Annual Convention	175
Committee Reports	
Accounting	183
Additional Services	183
Advertising and Business Development	184
Advisory Section on State Legislation	194
Appraisal Policy and Building Practices	194
Attorneys'	196
Chamber of Commerce	196
Federal Section	198
Fidelity Bonds and Insurance	203
Five-minute Speech Contest	204
Government Housing	206
Insured Section	210
Investments and Investment Policies	213
Legislative	221
Loan Procedures	231
Over-the-counter Life Insurance	232
Personnel Policies	233
Public Relations	234
Relations with Other Financial Institutions	236
Reserve Credits	238
Savings Association and Co-operative Bank Management	246
Supervision, Examination and Audit	248

Trends and Economic Policies	249
United States League Constitution	255
Veterans Affairs	256
Constitution and By-laws of the United States League	257

BOOK FOUR—COMBINED SAVINGS AND LOAN DIRECTORIES

Board of Directors of the United States League	D 3
Executive Staff of the United States League and Affiliates	D 5
Officers of State Leagues	D 6
Officers of Other Organization Members	D11
Officers of Regional Conferences	D12
Federal Home Loan Banks	D13
Personnel of Federal Home Loan Bank System	D16
State Savings and Loan Supervisors	D17
Convention Roster	D18
Member Associations of the United States League	D19

INDEX

- Accounting Committee, report of, 183.
Additional Services Committee, report, 183.
Advertising, attitude toward give-aways for, 87; direct mail, 88; manager's role in, 56; reaction to TV, 90; survey of 1952, budgets, 187-193.
Advertising and Business Development Committee, report of, 184-193.
Advertising Division, Inc., financial statement of, 153; operational report of, 149.
Advisory Section on State Legislation, report of, 194.
Agard, J. F., message from, 79.
Allison, William S., message from, 73.
American Legion, address of, Commander, 10-15; stand of, on GI loan rate, 10.
American Savings and Loan Institute, accounting division of, 148; financial statement of, 154; operational report of, 143-148; staff training medium, 6.
Appraisal Policy and Building Practices Committee, report of, 194-196.
Attorneys' Committee, report of, 196.
Barnett, E. L., memorial to, 161.
Bellman, Sir Harold, message from, 74.
Bentley, F., message from, 74.
Bodfish, Morton, "A Bigger Part in Community and National Affairs," 35-40; contribution of, to business, 7; "Report of Chairman of Executive Committee on Administration and Legislative Matters," 107-125.
Bonus plans, subcommittee report on, 202.
Brieven, E. F., message from, 77.
Building, homes for sale, 220; outlook for, 251.
Business promotion, manager's role in, 53-58.
Centralforeningen for Norges Sparebanker, message from, 78.
Chalus, Eugene T., speech contest winner, 204.
Chamber of Commerce Committee, report of, 196-198.
Charter K revisions, committee recommendations re., 198.
Collinson, H., message from, 74.
Colorado, new laws of, 156.
Commons, D. G., message from, 78.
Confidential Bulletin, 137.
Congress, probable leadership in new, 38-40.
Davies, Sir Charles, message from, 75.
Defense Production Act, 1952 Amendments to, 109-112.
Dexter, Miss Adelaide, resolution to, 170.
Directors Digest, 136.
Direct mail, use of, in advertising, 185.
Divers, William K., "Our Supervisory Responsibilities," 16-22; resolution thanking, 173.
Dividend rate, advertising, 212; outlook for, 83.
Dividends, for accounts on withdrawal list, 200; interim, 201.
Dreier, Walter H., "Manager's Role in Business Promotion," 54-58.
Dudenev, Eric A., message from, 75.
Dunham, C. John, message from, 75.
Economics, factors affecting, 28-34.
Eisenhower, Dwight D., attitude of, on New Deal social legislation, 46-47; interpretation of election of, 38, 41-52, 250; resolution to, 169.
Federal Bank Robbery Statute, covers all insured associations, 112.
Federal Credit Unions, amendment to Federal Statute of, 112.
Federal Government, communist infiltration of, 51; congressional leadership of, 38-40; probable policies of, 45-47; resolution opposing direct lending by, 172; social security program of, 121; suggested economies for, 47-48.
Federal Guide to Laws and Regulations Affecting Savings and Loan Associations, new U. S. League publication, 137.

Federal Home Loan Bank System, deposit facilities of, 239, 241; election of directors of, 243; recommendations re. stock of, 243; review of operations of, 238-245; statistics on flow of funds of, 245; twentieth anniversary of, 7, 37, 170, 240.

Federal Housing Administration, additional authority for, recommended, 119-121.

Federal savings and loan associations, bonus account plans, 202; Charter K revision recommendations, 198.

Federal Savings and Loan Insurance Corporation, change in name recommended, 226; changes in regulations of, 210-212; coverage of, broadened, 116; retirement of government stock recommended, 210, 226; suggestion re. reserve requirements of, 19-21, 226.

Federal Section Committee, report of, 198-203.

Fidelity Bonds and Insurance Committee, report of, 203.

Five-minute Speech Contest Committee, report of, 204-206.

Flatz, Wilhelm, "American Inspiration to the Own-home Movement in Austria and Elsewhere on the Continent," 67-71; resolution thanking, 173.

Foley, J. F., "Work Simplification Methods," 248.

Gaughan, Louis, message from, 75.

Geddes, Allan C., message from, 77.

Georgia, new laws of, 156.

GI loans, American Legion position on, rate, 10; resolution opposing direct, 172; subcommittee report on, 229; volume of savings and loan associations, 91.

Give-aways, as advertising medium, 87.

Goodman, Alex H., message from, 75.

Gough, Lewis K., resolution thanking, 173; "The Coming Showdown with Communism," 10-15.

Government Housing Committee, report of, 206-210.

Hanscombe, S. W., message from, 76.

Hasli, Jakob, message from, 80.

Hazen, Ben H., resolution to, 170; "Sixty Years of Service to Thrift and Home-ownership," 3-9.

Hewell, Marion M., "Personnel Problems," 62-65.

Home equipment loans, 220.

Home Loan Bank Board, supervisory theory of, 16-22.

Hornsby, Avery, message from, 76.

Housing Act of 1952, 119-121.

Housing Market, outlook for, 252.

Independent Offices Appropriations Statute, 1953 amendments to, 114-116.

Insurance reserves, suggested revisions for, 19-22.

Insured Section Committee, report of, 210.

Investments and Investment Policies report of Committee on, 213-221.

Jenkins, E. C., message from, 80.

Korean War, suggestion for ending, 14-15, 49-51.

Legal Bulletin, 137.

Legislative Committee, report of, 221-231.

Loan Procedures, report of Committee on, 231.

Loans, to minority groups, 59-62; trends in market for, 53-54, 90, 253.

Los Angeles, public housing controversy in, 209.

Louisiana, new laws of, 157.

Low-income housing, resolution re. local responsibility for, 172.

Lumb, Francis E., message from, 73.

Management, personnel is chief concern of, 92; 1953 policies for, 53-56; suggestions, 246-248.

Massachusetts, new laws of, 157.

Mazzolini, Robert A., speech contest winner, 204.

Meikle, Alexander, message from, 76.

Michigan, new laws of, 157.

Miller, G. Philip, speech contest winner, 204.

Millican, J. R., message from, 76.

Miner, J. B., "Getting Full Value from Office Space," 246.

Mohring, Erico M. W., message from, 80.

Mortgage market, outlook for, 53-54, 90, 253.

Murphy, M. K. M., service as director of U. S. Chamber of Commerce, 197.

Mutual savings banks, relations with, 237, 242; similar to savings and loans, 23-27.

National Association of Mutual Savings Banks, relations with, 237.

National Tax Equality Association, activities of, 237.

National Thrift Committee, 184.

Negroes, loans to, 59-62.

Newspapers, as advertising medium, 185.

New offices, efficient utilization of space in, 246; open house to introduce, 87.

New Jersey, new laws of, 157.

Newton, Hubert, message from, 73.

New York, new laws of, 159.

Norris, A. G., message from, 81.

Operating policies, manager's responsibility for, 66; supervisory recommendations re., 21; symposium on management and, 53-66.

Ortiz, Ramon, message from, 80.

Outdoor advertising, use of, 186.

Over-the-counter Life Insurance, report of Committee to study, 232.

Personnel, manager's responsibility for, 56, 65, 92; problems, 62-65; report of Committee on, Policies, 223.

Political parties, recent history of, 41-45.

Pooley, Wallace G., message from, 76.

Postal Savings, report of subcommittee on, 230.

Property improvement loans, as investment, 217.

Public housing, direct lending appropriation for, 119-121; limitation of, 114-116; volume during 1952, 206-210.

Public relations, a function of management, 56-58, 65; report of committee on, 234-236.

Publicity, guide for association, 235.

Ray, Walter J. L., "Memorial Resolution," 161-168.

Relations with Other Financial Institutions, report of Committee on, 236-238.

Rental property, as investment medium, 219.

Reserve Credits, report of Committee on, 238-245.

Rhode Island, new laws of, 160.

Richards, E. Karl, message from, 78.

Rodgers, Raymond, "Long-term Trends in the Economy," 28-34; resolution thanking, 173.

Russell, Horace, "New and Revised State Laws," 156-160.

Savings, promotions, 85-87; trend of, 84; volume of, in associations, 102.

Savings and Loan Annals, 137.

Savings and loan associations, consolidated statement of condition, 105; federal enactments affecting, 107-125; management of, 53-58, 246-248; relations of, with other financial institutions, 23-27, 236-238; state laws (new) affecting, 156-160; statistical report of, 95-106; suggested extension of investment powers of, 200, 213-221, 227; supervisory theory of HLBBd. re., 16-22.

Savings and Loan Foundation, purposes of, 184.

Savings Association and Co-operative Bank Management, report of Committee on, 246-248.

Savings and loan business, congressional attitude toward, 38-40; effect of economic trends on, 28-34; public needs education on, 5; service possibilities of, 7-9, 36-37.

Savings and Loan News, 136.

Schrijvers, A., message from, 77.

Schuon, Hermann, "Greetings from West Germany," 71-72; resolution thanking, 173.

Servicemen's Readjustment Act of 1944, 1952 amendments to, 113, 117-119.

School relations, recommendations re., 235.

Smith, Levi P., "Background and Potential of Thrift Institutions," 23-27.

Society of Savings and Loan Controllers, financial statement of, 155; report on operations of, 150.

Souter, Robert T., "Developing Modern Internal Operation," 247.

State legislation, enacted in 1952, 156-160; report of Committee on, 194.

Steven, L., message from, 79.

Strunk, Norman, assumes full administrative responsibilities, 35, 108; presidential thanks to, 4; "Report of Executive Vice President on Administrative Matters," 126-155.

Supervision, HLB Board theory of, 16-22.

Supervision, Examination and Audit, report of Committee on, 248.

Taxation, resolution re. double, 173.

Taylor, Robert R., "Loans to Minority Groups," 59-62.

Television, as advertising medium, 80, 185.

Thompson, Dorothy, "Meaning of the Presidential Election," 41-52; resolution thanking, 173.

Tournaire, J., message from, 77.

Trends and Economic Policies, Committee on, interpretation of report of, 53-54; report of, 249-255.

Turkiye Emlak Kredi Bankasi, message from, 79.

United States League Constitution, 257-267, report of Committee on, 255.

United States Savings and Loan League, administrative report on, 126-155; committee reports of, 183-256; committee work of, 134; constitution of, 257-267; convention program of, 175-182; convention resolutions of, 169-174; financial report on, 128, 152; greetings to, 67-81; legislative program of, 221-223, 225-228; membership of, 131; memorial resolution of, 161-168; news bureau of, 138; personnel clinic of, 62-65, 233; publications of, 135; relations of, with other organizations, 142; special services of, 132-133; Washington office of, 130.

Vander Ende, Gerrit, "Savings Association Management," 65-66.

Veterans Affairs, report of Committee on, 256.

Virginia, new laws of, 160.

Wages, economics of increases in, 29-31.

Weimer, Arthur M., "Real Estate and Mortgage Lending Trends," 53-54.

Window displays as advertising medium, 186.

Withdrawal ratio, continues high, 84.

Zambrano, Eduardo A., message from, 78.

Book **I** GENERAL SESSIONS

SIXTY YEARS OF SERVICE TO THRIFT AND HOME-OWNERSHIP

by BEN H. HAZEN, *President*

United States Savings and Loan League

Portland, Oregon

NOT MANY MILES from here, at Frankford, Pennsylvania, in 1831, Comly Rich secured the first home loan from an American building and loan association. In the century and a quarter since then a third of America's homes have been financed by such associations. (Sixty years ago Judge Seymour Dexter of Elmira, New York, called representatives of such associations to Chicago for a meeting at which the present United States Savings and Loan League was founded.) Today it represents over 80% of the nation's savings and loan assets and serves more than 4,000 member institutions.

fn on
founding

Twenty years ago the Federal Home Loan Bank System was established. Many who had a part in its planning are here today, but many are gone—including Charles O'Connor Hennessey of New York City and Ann E. Rae of Niagara Falls, New York.

Today's meeting commemorates those three significant incidents in the life of a nation outstanding for its individual home-ownership—now standing at 54%. New York City is a suitable place for such commemoration but so, too, would be any city or town of any size in the country because savings and loan associations and co-operative banks serve practically every one of them.

DEDICATED TO PRIVATE OWNERSHIP OF PROPERTY

Those three types of co-operative action have steadfastly remained devoted to private ownership of property, individual ambition for achievement and personal responsibility for obligations. Their greatest claim to respect is that year in and year out, beginning 120 years ago, they have made the extension of the American type of capitalism, with its opportunity for individual ownership and use of private property for personal advancement, their single-minded purpose. Every one of our customer-members is a capitalist—the owner of personal or real property or both. The loans we extend to them make

them home owners and taxpayers. Those who save in passbooks are planning future investments in which they seize personal opportunity and contribute to the welfare and prosperity of others. In short, you and I serve one of the great cradles of private enterprise.

(The American people have discovered us. Their savings have swelled our total assets well beyond the \$20-billion mark—twice the total of five years ago. In 1952, they will again have chosen us for the largest share of their thrift patronage. Our growth rate is so fast that we have serious staff training problems.) We also have envious competitors.

Truly, this is a momentous convention.

1952—YEAR OF ACHIEVEMENT

Nineteen fifty-two has been a year of new achievements. Preliminary estimates indicate a growth of \$2.6 billion in assets or 14%. You have loaned \$6.4 billion on homes—more than any other classification of lenders and more than in any other year. You have accepted repayment of \$4.1 billion on home loans and have seen 650,000 of your borrowers achieve complete retirement of their mortgages. You have extended loans to nearly 78,000 veterans, in spite of the difficult rate anachronism. Your loans totaled 36% of all the urban mortgages made this year, a record better than even your own average.

ROLE OF UNITED STATES LEAGUE

The United States Savings and Loan League did not bring all of this about. But it helped. Managements have done a better job because the League has provided us the service of specialists in many fields. It has represented us ably in Washington and in meetings with friendly groups from other lines of business. It has provided us with a forum for arriving at policies representative of majority opinion. It has given aid to other agencies of service such as The National Thrift Committee, the Society of Residential Appraisers, the Society of Savings and Loan Controllers, the American Savings and Loan Institute, the Advertising Division and the Accounting Division. In 1952, it started a modest advertising program, held a successful Personnel Workshop, prepared a loose-leaf Tax and Regulations Manual, soon to be released to our members, and has negotiated ably and helpfully with the Internal Revenue Department.

Because I have seen the workings of our League offices in Chicago and Washington and their response to our needs and because you have expressed approval of the results for your associations, I extend thanks to Norman Strunk, Executive Vice President, and the 80 or so people who serve us loyally and intelligently. We are proud of

them for talent, for loyalty and for devotion to the high principles for which we stand.

While the affairs of the League are handled by a paid staff, the policies are approved by the Board and the Executive Committee, men you elect. I hope you will ask for reports from them at your state league and regional meetings. A fairly complete summary is sent to you every year in *The Annals*. To know all about the League, you need only read or ask.

SOME OF OUR PROBLEMS

The dollars we handle pour more taxes per million into the tax stream of our communities and nation than do the dollars handled by similar agencies. In co-operation with the mutual savings banks in a like position, we must find ways to make that clear. Meantime, we will assist wholeheartedly in the efforts to apply existing tax laws equitably and intelligently.

In co-operation with cool-headed commercial bankers, we hope to stop the attacks on the integrity of our financial institutions by a small minority of their fellows in a few states. We are their customers. Every day we introduce new customers to their services. We recommend confidence in their advice. It is not good business for a small minority of them to misuse that prestige in mistaken attempts to compete by attack. Surely their leadership will soon assert its cool-headed judgment. On our part we urge a continuance of the restraint now being exercised by our associations in the areas affected. Counterattack will not build public confidence.

We should soon bring about a unification of our national efforts. At present we are burdening some government agencies, including members of the Congress, with the double expense of two hearings and sometimes the necessity of choosing between us. The tide of demand for unification is rising. The friendly attitude among ourselves is improving, and it will not be long before it will bring results. These results must come with fairness and without rancor and recrimination.

Co-operating with our directors and staffs we have a task of education and training. More than half of our 30,000 employees are new in the past five or six years, during which time we have doubled in size. Tomorrow's successors to our present leadership must be better prepared than we. They must learn from books and from training, because most of them missed the savings and loan experience of the '30s.

Assisting in that task are the Society of Residential Appraisers, the Society of Savings and Loan Controllers, and the National Thrift Committee. It is a proper and wise business expense for us to contribute to all three and to encourage active participation by our staff members.

EXPANSION OF THE INSTITUTE

Most important of all is the expansion and use of our American Savings and Loan Institute. Years of personal effort and financial support have made it our most valuable instrument for staff training and loyalty. Its standards of education are high.

On its Chicago staff, its chapter instructors and its faculty of the Graduate School at Indiana University are educators of note and savings and loan men of broad experience. Our staff understanding of the business would be greatly enhanced if *Personnel Pointers* and *Savings and Loan News* were received by every association employee.

If our leadership is to match our growth, it must be through this agency which Carl Distelhorst and a limited staff with a devoted group of student officers are making so effective in achievement. It must bring pride to that little group of Missourians who gave it a start only a generation ago.

As we train and educate for larger responsibility, we must also compensate. Attracting the highest calibre of material requires that we compete in a limited market. With the kind of responsibilities we face, we will waste money if we hire less than the best.

LOCAL AND NATIONAL ADVERTISING

A broader application of the term "education" calls for attention to public understanding of our savings and loan services. We finance a third of the American homes, but only one person in ten is saving with us. I believe that there falls upon each association the responsibility to advertise locally and, in my opinion, there is also need for a nationwide program that will widen our area of acquaintance and prestige in every community. There are varying opinions on how it shall be done, but I hope we shall find a way. Naturally, I should prefer to see it done by the League for all its members.

And in all our advertising let us remember that people save to realize dreams. Let us suggest those dreams and not just trade for accumulated savings on rate. We have neglected our inspirational responsibility in much of our advertising.

OUR SIXTIETH ANNIVERSARY

The list of notables who served us in the past 60 years is too long to review. Engraved in it are past presidents, directors, executive committeemen, chairmen and members of committees, directors and employees of local associations, officers of state and county leagues, and the past and present staff members of the United States League itself. For half a century Herman Cellarius was "Mr. Savings and Loan" in the eyes of the public. Much of our historical record is due to

his foresight and devotion. We who knew him will ever recall him with affection and gratitude.

Morton Bodfish joined us in 1930 as our chief executive and in 22 years has built a trade association such as no one dreamed possible. Every staff member of the 6,000 associations in America owes some obligation to him and the service organization he has built. In thanking him, I thank many of you and many more who cannot be present today. The rewards of his service and theirs have not been in wealth, and often not in words but in achievement. That reward has been great.

More than 190 associations have joined or rejoined the United States League this year. Our membership has now exceeded 4,000. In spite of dues reductions, we have funds for expanding service as well as ample reserves. A hearty welcome to our new members, and a sincere thank you to those members and officials who assisted Merle Smith and Don Burson in achieving this outstanding record.

If we have a dean of committee chairmen, it probably would be George L. Bliss, who has served the Legislative Committee through some very critical years. That service is typical of his continuous record ever since I have known him. My thanks to him is symbolic of the appreciation owing to all chairmen, vice chairmen and members of every committee, including the past presidents, directors and executive committeemen who have served the United States League this year.

TWENTY YEARS OF FEDERAL HOME LOAN BANK OPERATION

In its score of years, the Federal Home Loan Bank, now entirely free of government capital which has been paid in full, has fulfilled our highest hopes. The Board and its moderate staff, the District Banks, the Examining Division and the Federal Savings and Loan Insurance Corporation have a record of high ethical and patriotic service which justifies their pride and ours. We hope that the Congress will shortly grant them the independent status which their function and record both justify.

OUR HIGHEST CALL TO SERVICE

But our greatest task of all is one we share with all America. Out of the depression of the '30s came the philosophy of defeatism toward the principles which made this country the happiest and most prosperous on earth. A favor for softened character became politically popular. We wanted to believe that the crowds could ignore the obligations of individuals and that a state could create by magic what its people could not produce by their labor and thrift. Social welfare, security and freedom from worry and care became a claim upon

society rather than a personal responsibility. It seemed generous to give away the substance of others. The importance of producing and meeting personal obligations before becoming charitable was ridiculed as selfish, greedy and anti-social.

Businessmen promoted methods of getting personal financing at government rates. Labor leaders gained extra powers by promising political favors. Social workers saw the "new" philosophy as an endorsement of their ideals. Some educators seized upon it as a substitute for the old enthusiasms for American history, achievement and opportunity. In their efforts to create social consciousness among children, they ridiculed, depreciated and criticized the achievements of the United States. In some places, a generation of school children has emerged with doubts about the old virtues of self-reliance, responsibility and thrift. Many of them are imbued with false hope that the government is their keeper.

The trend is reflected in current school textbooks. Educators will tell you that good, modern texts on American history and economics, favorable to private enterprise and to the individual ownership of property, are hard to find. There is a growing supply of texts which give the impression that capitalism has failed, private enterprise should be curtailed and limited, and that there is something selfish and greedy about great business leadership, the seizure of opportunity and the making of a profit.

You and I sit where we daily see character built out of the saving of pennies, the payment of debts, the accumulation of private property and its use to buy education, travel, business and homes. We know that the exercise of homely virtues like thrift, honesty and the fulfillment of family and business obligation is the basis upon which to build character, citizenship and the ability to serve others. We know that personal production and the accumulation of property must come ahead of charity and social service.

In 1931, we named Benjamin Franklin as our patron saint. He did not found the first savings and loan association. He never heard of one, but he practiced the principles of thrift and home-ownership. He taught them as well. Having built his character and his worth by such practices, he became one of the world's great benefactors.

Ours is the task to interpret the truths of the private ownership of property to others. We need more and different ways to tell our members the experiences of our daily service and to help them spread the story to others. We must be able to answer such high officials as the one who recently said he knows that we should curtail government expense, but where shall we start, and who has the courage?

We should start with the people of America. We should re-emphasize that the pursuit of happiness is a privilege—not a gift. The rules of that pursuit are simple and self-evident to those who will see. They made America great and Americans happy. They are best taught in the schools and in the daily meeting of people such as those

we serve. We must be alert to find new ways to teach and explain that happiness is best when reached by personal achievement.

Serving 16,000,000 property owners, we have a large share of responsibility for this task. Our advertising and our contacts with members by mail and in person can do much to help re-create in America that pride in its liberties and in its opportunities which arise from them.

Dana and I have spent a year of association with you trying to express some of these things which I have just discussed. It has been a year of increasing pride in the business and in the people who are engaged in it. We pass our task in a few days to a pair of successors for whom we have formed an affection and admiration which you, too, soon will enjoy. We are glad for you and for them.

The warmth of your friendship and hospitality will last us a lifetime. We return to the ranks where we belong grateful to you and ready to serve beside you again in behalf of the cause so eloquently described by Judge Seymour Dexter 60 years ago at that first annual meeting of the United States Savings and Loan League—"The American Home, the Safeguard of American Liberties."

Franklin

THE COMING SHOWDOWN WITH COMMUNISM

by LEWIS K. GOUGH, *National Commander*

The American Legion

San Francisco, California



MY APPEARANCE HERE TODAY, fellow Americans, is the first before a non-Legion group since my return from a tour of the war front in Korea. I arrived by air in San Francisco only last Sunday (November 9) and reached Washington on Monday in order to lead the annual American Legion Armistice Day exercises at Arlington.

You invited me here today to speak on "The Coming Showdown with Communism." Before discussing that topic, I should like to make a brief announcement of interest to both your organization and my own. The 34th National Convention of the American Legion—which honored me with election to the highest office in the American Legion—has undertaken a study of the financing of GI home loans with special emphasis on the question of maintaining or increasing the 4% GI home loan interest rate. The convention empowered me to appoint a three-man advisory committee to review the whole problem of the 4% interest rate. I have made my appointments to this committee. They are Tom Moses, a fine attorney of Charleston, W. Va., chairman; Past National Commander Milo J. Warner, of Toledo, Ohio; and Lawrence J. Fenlon, of Chicago, Ill., Chairman of our National Economic Commission. I am happy to report to you that this special committee is beginning its study today in Washington, D. C., and during the course of its work will meet with your representatives, some leading builders and executives of the Mortgage Bankers' Association. It goes without saying that I look forward to the recommendations of this committee with extreme interest.

During the three weeks I was away, tremendous changes have taken place in America. A dramatic election has become history. A new administration has been entrusted with our foreign relations and our domestic affairs. We have a new leader—a soldier who has

THE COMING SHOWDOWN

never fought a losing war—and I am delighted to see how the American people—Republicans and Democrats alike—are closing ranks to support his leadership from which we hope and expect so much for peace and security and prosperity.

THERE IS WAR IN KOREA

As I stood before the Tomb of the Unknown Soldier at Arlington Tuesday and placed thereon the wreath of The American Legion, in my mind's eye I saw with poignant vividness the graves of American soldiers and sailors in suffering Korea. Yes, we have new Unknown Soldiers again. May I say to you that if our statesmanship had in the past been commensurate to the resolute patriotism of our fighting forces in Korea that conflict would long ago have been resolved in all-out military victory.

Our fighting men and women are meeting the challenge of Communism in the one place in the world where it has erupted into open and savage war. Korea and the Far East are by no means the only sectors of Communist challenge. But because I have recently seen that area I would suggest to you today, as best I can, just how the challenge is being met there and how, in my judgment, it must be met in the interest of Americans and free peoples everywhere.

In Korea itself you feel the full impact of the fierceness of the fighting as you visit your first evacuation hospital behind the main line of resistance. My first stop was at the 5th Marine evacuation hospital where skilled and seemingly tireless surgeons were working around the clock as litters kept coming in from the "Battle of the Hook." The helicopters' whining rotors blew dust in our faces as they completed their merciful and heroic missions. The enemy mortar fire had been heavy, and the bandages were bright red with blood of American and Korean Marines alike, where searing steel had ripped and torn.

ACTION IS NEEDED AT HOME AND ABROAD

This is war: ugly, grim and without glamour, as 124,000 U. S. casualties—1,278 the week I was there—so vividly testify. Here, as always, in war, the *few* sacrifice for the many—I only wish the many could see what I have seen in Korea and then ask themselves: "How can we end it? How long must it go on?"

We all must realize that the war in Korea must be won at home as well as on the battlefield. I frequently heard it said in Korea that the people stateside have to realize that *their* attitude and support are absolutely essential to victory. Our fighting men are keenly sensitive to the appalling apathy and lack of effort at home to build the

necessary strength to defeat decisively the Red enemy in Korea. The hour is late, but not too late to face our responsibilities. How we meet the challenge depends on each one of us.

The defeatist policy of containment is not enough. It permits the enemy to hold the initiative, gives him the advantage of offensive action and denies us the capacity to expand the area of influence of our own philosophy of individual liberty and free enterprise. Continued containment may well bankrupt us, as the leaders of the Kremlin freely predict. No one ever won a fight by blocking and we are in a fight—an all-out war—make no mistake about that. In relatively small Korea more American blood has been spilled than in any spot on earth—except in Virginia during the Civil War. We have experienced more casualties here than in any previous war, excepting World Wars I and II. Such a sacrifice must be accompanied by the will to win.

Defeatism feeds on stalemate and appeasement. Each month the United Nations moves closer to appeasement, as we have not exhibited a determination ourselves to resist the stalemate strategy. We have permitted this phony truce negotiation to drag on for a year and a half while the enemy grows vastly stronger with our co-operative refusal to bomb his Manchurian bases. Our original acceptance of the peace feeler saved the Reds from what would have been a military decision, and a military decision traditionally is victory for one side and surrender for the other.

The frustrating truce is a Red booby-trap to gain time to avert what was pending defeat; to build Red stockpiles; to make us lose face throughout the Far East; and to capitalize in furthering aggression in Southeast Asia. The longer the present truce talks continue the better for Stalin.

To understand the problem better permit me to inform you briefly of my first-hand observations of Korea and the Far East. In so doing, I shall endeavor to relate the conflict to the over-all Asiatic situation and to give you the alternatives to our present frustrating policies of containment and appeasement.

I spent several days at sea above the 8th parallel on the battleship the *Big Mo* and the carrier *Bon Homme Richard*, while both were in action against the enemy. I visited the "Main Line of Resistance," or "MLR" as the front is called, in the 1st Marine, 2nd Infantry, 9th ROK, and Commonwealth Division sectors. I visited numerous fighter and bomber bases of our Air Force and sat in on briefings and debriefings of our magnificent pilots who were "clobbering" the enemy all over North Korea and chasing the "Migs" back across the Yalu.

There was one point of complete agreement by all commanders in the field. That was that "team work" between services was far in excess of anything ever achieved before. Even the most frank and outspoken officers were enthusiastic about the close liaison of all the services for the common good of all.

SOUTH KOREAN POTENTIAL IS GREAT

Historic military strategy to overcome a stalemate is "diversion"—various types and methods of diversion have been advanced, some requiring special forces, materials, training and logistics. The urgent request is to get going *now* to prepare for these requisites in line with the objectives established. Some officers, particularly, pointed out the tremendous length of the exposed enemy coastline; the almost 600,000 Free China troops in being; the tempting priority targets above the Yalu; the thousands of ROK's ready and eager to fight, if equipped and trained; and other things of a more classified nature.

I talked to no single commander in the field who did not have high praise for the ROKs as fighting men, and yet the ROK army, which a year and a half ago had ten divisions, still has ten divisions today. A high official of the Korean government gave me the figure of 750,000 South Koreans as a manpower reservoir which could be trained and equipped to fight for their homeland. He used the slogan—"Give us guns and save your sons"—as each new ROK means one less GI Joe. The U. S. command in the field urges the widest possible use of Asian troops in the field to fight Asiatic Communism. One estimate said that 28 Koreans can be put into the field at the cost of landing one American soldier in Korea.

In this connection, it would be wishful thinking to believe that South Koreans could take over all the front lines as the situation now exists. We must recognize we are fighting a ruthless, large and capable Red Chinese army. This is no army of "volunteers" as the enemy "myth" would have us believe. This is a trained, experienced army and air force, logistically supplied, well equipped and rotated. Combined UN action will be necessary to defeat this enemy, but ROKs with their fighting ability and great incentive can assume a far greater part in the enemy's defeat as soon as time and training permit.

SPEEDY VICTORY A PSYCHOLOGICAL NECESSITY

Victory in Korea is essential if our psychological warfare program in Asia is to be effective. All the Far East is watching us. Asiatics, by nature and heritage, follow the bandwagon of the winner; they admire the strong; they respect those who possess initiative and the offensive spirit.

The friendship and confidence of Southeast Asia is vitally important to the U. S. and the entire Western world. Here we find the breadbasket or the rice bowl of the Orient. Here are the strategic raw materials not only for war but for an economically prosperous Far Eastern area of the future. Many of these nations have only recently emerged from colonial status. They are still distrustful of the West but, at the same time, look with alarm at the spreading

power of Russian imperialism. We must proclaim to them not only that we have no imperialistic designs but that we will not tolerate any Communist aggression in this theatre. Failure in Korea would hardly be reassuring.

I met with Generalissimo Chiang Kai Chek in Formosa and reviewed the Free Chinese troops in maneuvers. I was much impressed by what had been accomplished by the Military Assistance Advisory Group under Major General William C. Chase, U. S. Army, in training these troops.

I am personally delighted, as were all I talked to in the Far East, that President Ike is going to implement his already great knowledge of our foreign relations by viewing the situation personally and talking with our commanders and men in the field, who will be permitted to speak without imposed restrictions.

TEN-POINT PROGRAM RECOMMENDED

On the basis of this first-hand observation of the Far Eastern Theatre, I would recommend the following steps be taken. All are in line with established American Legion thinking and convictions and were strongly confirmed by my recent visit to the Far East.

1. Annunciate our policies in Asia in clear-cut terms. Proclaim that we have no imperialistic design, that we regard the various governments of the Far East as equals in the free world and that we will help them fulfill their national destinies.

2. In line with this over-all policy for Asia, place the conduct of the military war in Korea into military hands. Advise our friends throughout the world—particularly our soldiers—that we intend to prosecute this war to victory in line with our tradition of winning the wars we fight.

3. Present our enemy with our minimum terms of agreement for an honorable truce and establish a termination date for further negotiations. If he then continues to deal in deceit, treachery and double-talk, prepare to launch an offensive that will achieve victory, peace with honor and punishment of the aggressor.

4. Immediately remove the restrictions against diversionary action by Free Chinese troops. Provide all necessary material and training, with emphasis on air strength, to bring these troops to a proper degree of readiness for effective amphibious action, with our naval and air support, against the extended shoreline of their homeland. Recent indications, based on guerilla raids, give every sign that the Chinese of the Cantonese and Fukinese coastal provinces would welcome and assist such an operation of liberation. I quote General Claire Chenuault, USA (Ret.), who has long advocated such a mission, combined with an all-out effort of our own in Korea. He informed me that he has requests from over 10,000 volunteers to formulate a second Flying Tiger Air Force for such an operation.

5. Bomb above the Yalu to neutralize and destroy the enemy sanctuaries from which he now enjoys immunity as he launches attacks on our forces.

6. Blockade the China coast and inform those who ship munitions and supplies to our enemies that they do so at their peril, subject to seizure and destruction.

7. Re-arm sufficiently to attain the victory—eliminating stretch-outs, slowdowns and strikes as nearly as possible for the duration and giving emphasis to the production of all modern weapons including tactical atomic weapons, if, in the opinion of the high military command, such missiles will achieve victory.

8. Train and equip a manpower reservoir adequate to defeat the enemy, with special emphasis on the training and equipping of the ROKs to fight for the unity and independence of their own homeland.

9. Support the establishment of a Regional Pacific Defense Pact under Article 51 of the UN charter, requiring as a condition of membership that countries desiring to align themselves with other free nations of the Far East for mutual security must be willing and able to fight Communism and must actually be doing all they can to fight Communist aggression now.

10. Develop our psychological warfare program in this area with the objective of including subversion and infiltration of the enemy strongholds in our over-all offensive program in the war of ideas.

Some will say the above recommendations will entail risk and most certainly they do. Not as great a risk, however, as when we first sent our unprepared forces into Korea in June, 1950, or when we crossed the 38th Parallel. We did not shirk risk as a nation in 1941 or 1918 or as far back as 1776. The greatest risk we face today is losing the world to Communism, and wishful thinking will in no way diminish that risk.

Some will say the Soviets may be brought into the war. This is a calculated risk. The Kremlin is operating on a timetable, and you may be sure its leaders will enter the fray militarily only when they feel the time is propitious to their over-all objective of world domination. Stalin is an old man who always has played a sure thing and doesn't gamble in his strategy. He would think a long while before risking his dynasty by committing his own force at his time of life.

Some will say you will encourage casualties with an offensive. We are receiving casualties now and have been for two and a half years with nothing to show for it except to hold the line where we started in the beginning. A decisive campaign will mean far fewer casualties than a continued stalemate for years to come, so that our 10-year-olds will be fighting in Korea in the future.

There comes a time when a nation must stand firm on its principles of righteousness or retreat from them. I believe that, under our new President, we do not intend to retreat.

OUR SUPERVISORY RESPONSIBILITIES

by the HON. WILLIAM K. DIVERS, *Chairman*
Home Loan Bank Board
Washington, D. C.



IN PREVIOUS YEARS I have discussed a variety of topics when I appeared before the annual convention of the United States Savings and Loan League. Whatever the topics, I am sure that they always included some expression of confidence that associations would continue to grow soundly and strengthen their capacity for service to the American people. The Home Loan Bank Board through the years has actively encouraged the greater development of practicable thrift and home-financing plans. It is against that background of encouragement to conservative expansion that I want to speak to you today on "Our Supervisory Responsibilities."

First, let me mention briefly our philosophy of supervision. Above all, supervision should be constructive. Almost all of our supervisory activities are aimed toward guidance of institutions in the direction of improving internal operations, strengthening financial and lending policies, and correcting structural defects, so that the foundation will easily support heavier and heavier loads in the years to come.

We approach our supervisory duties with the idea in mind that we are friends of the supervised institutions and that we are both working toward common objectives. We do not think of ourselves as prosecutors or persecutors. We try to use the time of our limited staff in the effective solution of major problems, disregarding inconsequential trifles which could never lead to trouble.

The supervisory responsibility, of course, rests on the members of the Home Loan Bank Board. Fortunately, we have as our Chief Supervisor John M. Wyman, who has now been with us in this position since 1936. Observance of Mr. Wyman's operations over the last few years has convinced us that his decisions are usually sound and reasonable. Above all, they are fair, and the same rules are applied to all institutions which are similarly situated.

The members of the Board have discussed the subject of supervision publicly on few occasions. This has been for a number of

reasons. Obviously, individual supervisory problems are not a proper subject for public discussion. At the same time, I think you will be interested in a report on the number and types of problems with which our Chief Supervisor generally is confronted.

HANDLING THE EXAMINATION REPORT FORM

Our chain of command in supervision runs from the Chief Supervisor to the Federal Home Loan Bank Presidents, who act as our Supervisory Agents in the field. In each Home Loan Bank the President reviews the examination reports made of all insured institutions in his district. Examinations are made by examiners under the direction of Verne Bonesteel, our Chief Examiner, in the case of Federal associations, and are usually made jointly with State examiners in the case of insured State institutions. This examination work is a continuing process. Last month 197 examinations were commenced, 189 were completed, and 140 were in process at the end of the month.

When the examination report comes before the Bank President a letter is sent to the supervised savings and loan association containing any criticism of past actions and constructive suggestions for remedying doubtful situations, or curing or removing any source of weakness in the operations of the association. Copies of these supervisory letters and of the replies by the associations are sent to the Chief Supervisor, where they are reviewed and maintained as a part of the Board's records. Most of the suggestions of the field supervisor are adopted promptly by the supervised institution. Sometimes, after further correspondence, or personal contacts, the savings and loan association succeeds in convincing the supervisor that its practices are reasonable, and it is permitted to continue them. In some cases where the district supervisor and the institution cannot agree whether a particular practice is proper or safe, or he is unable to bring about adequate corrective measures, the matter is referred to the Chief Supervisor in Washington. Here, again, at this level most of the few remaining questions are resolved and the problems disposed of, and it is seldom that the Chief Supervisor has to bring charges against an institution before our Board. In such cases we usually arrange for an informal hearing at which time the pros and cons are considered and a commitment is reached on a course to be followed. Since the majority of the present members of the Board took office in 1947, only one case involving supervision has been set for a formal hearing before the Board. That case is now pending.

All of this leads to confirmation of the conclusion that reasonable people with common objectives can agree upon a safe course of action in almost all cases. But I don't want to give you the impression that all insured institutions are in excellent condition or that we do not have our continuing problems.

Semi-annually, our Chief Supervisor makes a summary of the ratings

applied to institutions whose examination reports have been reviewed in the previous six months. The latest of such reports shows that major supervisory cases are centered in less than fifty associations out of more than 3,100, and that such institutions hold approximately 2% of the assets of the associations which are insured by the Federal Savings and Loan Insurance Corporation. Most of the difficulties encountered by the supervisor have to do with the building of reserves, and with lending practices.

In addition to important and immediate supervisory problems, there are, of course, a number of lesser violations involving practices which constitute no present threat to the safety or solvency of the institution, but which might well grow into a threat if not stopped in time.

Let me reiterate that if the supervised institution takes the attitude that the supervisor is there to help the institution and not merely to find fault, then energy and tempers are saved, and a constructive course of correction can be quickly determined which is mutually acceptable.

VARIOUS TYPES OF BOARDS OF DIRECTORS

One observation I would like to make in passing is that so far as I can recall we have had no major supervisory problems—certainly none that were not promptly corrected—with any institution which had a board of directors independent of the management and selected as a typical cross-section of the business life of the community in which the association operates. Such boards look upon the supervisors, in effect, as advisors who not merely point out violations of statutes and regulations, but also point out the weaknesses of policy decisions in an effort to be helpful. Such a board willingly considers constructive suggestions, and just as readily opposes suggestions which it feels may not be applicable in its own locality and circumstances.

Conversely, our troubles generally have been with boards of directors who are hand-picked and dominated by the manager; who are oftentimes closely related by blood or marriage to the manager; who act as rubber stamps for the manager; and who, in some cases, do not deserve the important title of director. It is chiefly in such cases that we find examples of self-dealing which, in our opinion, constitutes one of the greatest threats to the sound operation of a financial institution.

CURRENT OVER-ALL STATISTICS ON THE BUSINESS

In addition, our supervisory records include a running account of various indexes of operations. For example, a quarterly statement shows delinquent mortgage loans from reports of examinations currently reviewed. About 700 insured associations, whose examinations were reviewed during the past quarter, disclosed delinquent loans

amounting to 1.2% of their total loans outstanding. This compares favorably with 1.3% for the year 1951 and 1.5% for the year 1950.

Another type of trend available to the Board from the examination reports describes the current lending practices by insured institutions. Of the reports reviewed during the first nine months of 1952, the average amount of conventional loans was about \$6,400; the average purchase price of the property on which the mortgage was placed was some \$11,200; and the ratio of loan to purchase price was 57.9%. This compares with a percentage of 57.6% for the first nine months of 1951, and 58.4% for the year 1950. These averages, like many other statistics, may include or conceal some abuses. At the same time, they do present a good picture of the practices of the average, conservative association.

Another subject on which constant check is kept is defalcations reported. The report lists the name of the institution, its assets, the persons responsible for the defalcations, the amount of blanket bond, the amount of the shortage, the amount of restitution or recovery, the settlement by the surety company, the loss to the association, whether any criminal action was involved and the method of termination of employee's service. Where cases involve the violation of federal statutes, the matter is referred to the United States attorney's office for such action as seems fitting. A special recent report shows that defalcations discovered and reported in insured institutions in 1951 numbered 26 and amounted to \$186,000. This was not far from the average for the past eight years, even though the assets of insured institutions have more than trebled during that time.

I mention some of these supervisory reports to emphasize the efforts of the supervisor to spot troubles before they develop into crises.

SUGGESTION FOR CHANGE IN RESERVE ALLOCATION

No speech on supervision would be complete without at least one suggestion for an additional or a revised regulation. For many years it has been obvious that the statutory requirement relating to the transfer of 3/10 of 1% of share capital annually to the federal insurance reserve is inadequate to accomplish the 5% requirement in 20 years. The same observation applies to the requirement in the federal charter relating to the transfer of at least 5% of net income to loss reserves each year. Since many of the insured institutions are now approaching the twentieth year of their insured life, I think we should review the reserve requirements for insured associations with particular attention to the following.

Number One: Would it not be better to require all insured institutions to transfer at least 25% of their net income each year to reserves so long as their insurance reserve is below the 5% required at the end of 20 years? The average allocation of net income to reserves and undivided profits in 1951 was about 34%. Most institutions enjoying

the average growth experienced over the past five years have discovered that allocations far in excess of the 3/10 of 1% of share capital, or 5% of income required by federal charter, were necessary in order to build the insurance reserve without having to make crippling allocations in the nineteenth and twentieth years.

I believe a more reasonable yardstick in terms either of a requirement of 1/4 of 1% times the number of years the institution has been insured or a requirement of a minimum of 25% of income to be transferred whenever the reserve is below 5% is reasonable, is desirable and would constitute no burden on the well-managed and well-operated associations. At the same time, it would pull up the laggards and prevent a handful of institutions from getting into difficult situations which might adversely affect well-managed institutions. In passing, it is only fair to point out that such a requirement would prevent institutions from paying a disproportionate share of their earnings in dividends. The payment of too high dividends often results in the attraction of substantial amounts of money with a consequent drastic reduction in reserves percentage-wise.

Number Two: Now that we are near the end of 20 years in the insurance fund for a number of institutions, I think we should consider what goals we should set for the future. Whether such goals are to be accomplished at the end of 40 years from the date of insurance or sooner if possible; whether the goals should be accumulated at the rate of 25% of net income, or 20%, are all questions to be thoughtfully considered and weighed. As a proposal for consideration, I would suggest that, after the 20-year, 5% requirement has been met, all insured institutions be required to make annual allocations of at least 20% of net income—until such time as the total reserves available to meet losses equal 10% of savings capital. This is substantially the goal contained in federal charters at the present time.

The rates for reaching this goal and other goals were established in the early '30s, at a time when many institutions were more concerned about keeping what assets they had than with the problems of rapid growth. In the light of the experience of the past few years and with the hope that your institutions will continue to experience a substantial growth from year to year, I would suggest that we set these goals now and assure a growth in reserves and strength to accompany the astonishing growth in size and service which your institutions have enjoyed in the last few years.

In this connection I might point out that many of you heartily applauded the action of the Board in urging the Senate Finance Committee to permit loss reserves of at least 15% of assets to be established tax free. We are approaching the 5%-in-20 years requirement in 1954. I am suggesting that a 10% requirement be reached at a later date. The average for all insured institutions at the present time is already around 8%, but again there are laggards. Are we going to establish higher goals for greater safety and greater stability

for all institutions, or are we going to depend upon the strength of the stronger institutions to pull the laggards and weak-willed managers along with them during troublesome times? I believe the public expects and is entitled to adequate protection in this area and that the answer is obvious.

THE ARGUMENT FOR SUPERVISORS TO SUGGEST OPERATING POLICIES

It is clear that government has a legitimate concern with the conduct of this business, which is so clearly affected with a public interest. In our opinion, supervision will neither discharge this heavy responsibility nor be of maximum benefit to the business if it merely fills the role of a policeman taking associations to task for technical violations of laws and regulations. After all, compliance with required ratios and the making of loans which do not exceed the percentage of appraisal prescribed by law or regulation do not guarantee an association against default in its duty to its local public. Supervision must, therefore, be vitally concerned with the soundness of operations and should have as its broad objective the encouragement of operating policies which will provide financial strength sufficient to withstand economic reverses.

As a measure of guidance in the savings and loan field, supervision can bring to bear on problems of the business the know-how gained from years of inquiring objectively into savings and loan operations, evaluating and observing the outcome of policies and practices, and viewing trends and developments on a national scale. While scrupulously avoiding the injection of supervision into management decisions, we are often able, on the basis of our own experience, to detect an incipient problem which the manager may have overlooked in his daily round of getting business and battling with competition. If we are sometimes able to suggest effective remedial action, we are merely passing along information gained by us in the course of our work; for example, we may know that management in another part of the country has already "sweated out" the solution to the same problem.

By thus encouraging sound financial policy, by offering counsel on the basis of our experience, and by sounding sincere warnings, if such are called for by the particular circumstances, we strive constantly to be helpful to savings and loan associations in achieving and maintaining their position in the nation's economy. We ask no special commendation for doing our job but we do seek your understanding and your affirmative reciprocation of the spirit in which we undertake our work.

In winding up my remarks, let me recall an impression left over from my boyhood days when I was just learning how to read. Every

day I made a good many visits to the family kitchen, for obvious reasons. I remember that we always kept a large sack of flour in the cupboard, a brand of flour called "The Seal of Kentucky."

Imprinted on the sack was a reproduction in color of the official seal of that state bearing these historic words: "United we stand, divided we fall."

I think that is a good motto for the states of the Union, and also for the supervisors and the supervised financial institutions. Together, we can face all of our problems and find answers that will be in the public interest.

Your co-operation to date has been splendid. My fond wish is that we can continue together during the next year to strengthen the structure of the savings and loan business for the benefit of the American people. That will be the proper exercise of "Our Supervisory Responsibilities."

BACKGROUND AND POTENTIAL OF THRIFT INSTITUTIONS

by LEVI P. SMITH, *President*

Burlington Savings Bank

Burlington, Vermont



A MAN COMING FROM THE HILLS to address executives of your extensive business background and experience may hope to contribute in one of two ways. He may be in a position to bring to bear on contemporary problems the long view of perspective in point of time; or his observations may prove enlightening because of a more detached and independent angle of approach.

Our relatively small mutual savings bank started business when James K. Polk was President nearly 106 years ago. It has had to weather all the storms and squalls and booms and busts since that time. Its officers have happened to live such very long lives that I can remember seeing and talking with the man who had been its first treasurer. Also I have vivid recollections of trying to influence the thinking of that man's son, who was an officer of the old savings bank and had been with it for 50 years when, through an unforeseen combination of circumstances, this speaker found himself boosted unceremoniously from the practice of the law into that institution. Therefore, this particular mutual savings bank offers a fairly effective tradition covering the century of economic development during which thrift institutions have accomplished most of their growth.

Your and our heritage in its origin and development and in the forces urging it on, has given us so much in common that I venture to assume that a brief review of conclusions growing out of that old mutual savings bank's experiences may be worthy of your attention.

LIBERAL BACKGROUND OF MUTUAL THRIFT ORGANIZATIONS

It is necessary to say a word or two about the seedbed out of which that heritage grew. You have only to recall the masterly summary

of the history of the thrift movement in Morton Bodfish's admirable treatise—*Savings and Loan Principles*—to realize that the idea of making the advantages of saving and investment available to all people, as well as the dream of making the ownership of homes open to all, sprang from the intellectual revolution achieved by the great liberal philosophers and writers of the 18th century. These men, reacting against tyranny, dared to announce to the world that by liberating all the countless human beings, lifting them out of the mass, making individuals of them, releasing their energies and stimulating their needs and, in short, making producers and consumers of them all the great net result would be that instead of a parceling-out and destruction of the limited existing wealth of the time, endless new wealth, as limitless as the capabilities of mankind, would be created.

Although the whole force and significance of our thrift movement derives from this revolution of thought, it is true of the mutual savings banks, ~~at least, that~~ it took these institutions a great many years to begin to understand what important economic forces were driving them on. The very fact that newly released economic forces were crowding them on explains why during the past hundred years the progress of those mutual savings banks which awakened to their opportunities in time to survive has contained many heartening surprises.

PROGRESSIVE OPERATING PRACTICES ADOPTED WITH CAUTION

Those institutions which buried their talents in a napkin, like the man in the parable, either because they were too selfish to grow or because they were organizations of small men, by small men, for small men with unawakened imaginations and were too timid to ever be anything but small, continued to fall by the wayside. Those mutual savings banks which displayed enough imagination to begin to realize that they were not little, self-serving entities standing alone, but rather were part of a broad and philanthropic movement, and to regard themselves as existing to promote the thrift cause kept up with changing times and, in the end, proved themselves the sounder, safer and, in every way, better trustees of the public interest.

The old notion that a mutual savings bank ought to be nothing but a little, selfish mutual improvement association committed to smallness and forbidden to grow was slow to die. For years every creative move of a savings bank was sure to be viewed with apprehension. When a savings bank recognized the demand of depositors who had gone out from its community and took care of their needs by providing banking-by-mail, there were dire predictions. Yet this move vastly increased the usefulness of these banks. When they adopted the card-index system in place of their ledger books as a more efficient means of serving an increased number of depositors, they were all but accused

of criminal recklessness. Yet this change was successful beyond their fondest hopes.

These were all more or less mechanical changes in the direction of more efficient operation and, therefore, they had to succeed. But the impressive thing is that at the outset all these advances were labeled unconservative. The experience of one old mutual savings bank gives point to the paradox that in changing times you have to be unconservative to keep safe.

Incidentally, that paradox seems to apply with particular force in the investment field. In this old savings bank's experience every exceptionally successful line of investment had to be ventured upon in the face of charges that it was terribly unconservative. Of course, in the light of what we know now, all these policies really were conservative in the extreme. In fact, they were much more conservative than the practice of inertia advocated by those who criticized them.

AGGRESSIVE PUBLIC RELATIONS A SOCIAL OBLIGATION

Another surprise in the experience of this old mutual savings bank, or perhaps I should say another whole series of surprises, came in the field of public relations. When mutual savings banks started out it was wrong for a savings bank to advertise; with the passage of time, it came to be recognized that it is wrong for a savings bank not to advertise. It is interesting that this particular mutual savings bank first ventured to buy advertising space with the excuse that it was a collective way of answering the questions of depositors which, otherwise, had to be answered by separate long-hand letters involving hours of toil.

The old theory is that mutual savings banks should be reticent, remote, austere and uncommunicative and that if they advertised at all, they ought to do it grudgingly and apologetically. Nowadays the public has come to expect more attention from an institution claiming to exist solely for the public than from a privately owned one. From an institution founded for the promotion of thrift the present-day public demands an almost evangelical advocacy of the general thrift habit.

We have found that if a mutual savings bank has an active and resourceful public-relations policy, aimed at creating a better understanding of its origin and functions, it pays off many times over by enlarging, in a profitable way, the contacts and services of the institution, bringing in more accounts and creating a loyal and appreciative atmosphere among its depositors.

We have found that for a mutual savings bank such a public-relations policy also pays, less obviously but no less effectively, by informing and inspiring the bank's own employees, officers and directors. This is in itself tremendously important because a mutual institution has no stockholders to carry on its traditions and must inspire

all its clerks of today, who may be the executives of tomorrow, with a zeal for its objectives as well as an understanding of its work. You in your institutions probably wonder from time to time whether your clerks of today, who may be your executives of tomorrow, think of your institutions as existing merely to make life easier for the real estate man, or as having the limited objectives of some kind of local mutual improvement society, or whether they can see the place of your institutions in an expanding and powerful economy.

We have found that for a mutual savings bank such a policy sets high standards of service and tones up an entire organization. That standards can be uncomfortably high, I learned to my sorrow when one of the local radio stations put on some of my recorded talks at six o'clock in the morning with the result that a not inconsiderable section of our farming population came into the bank with the announcement that they wanted to do business with a bank whose president got up when they did.

We have found that a mutual savings bank which, day in and day out, takes the public into its confidence and exerts itself to acquaint the public with the meaning of its mutual character is in a better position to meet the ups and downs of the business world. However, like the man who pins up a set of New Year's resolutions only to find himself committed to an uncomfortably high level of conduct, an advertising policy of that kind sets standards to which an institution must conscientiously adhere, as for instance by taking pains to explain changes in rates of interest paid and rates of interest charged which may pretty well bar out juggling of the interest rate for merely competitive reasons.

UNCOMPETITIVE ADVERTISING IS MOST EFFECTIVE

We have found that the thrift movement, of which our institutions are so important a part, is so like a chain reaction in its dynamic and forever expanding force that uncompetitive advertising of thrift in all forms is about our most effective public-relations activity. In other words, it pays to show the world that we are in fact, as well as in name, mutual.

We have found that following the broad general precept that what helps thrift helps our cause stimulates our most profitable effort and brings the most satisfactory results. We can afford to be aggressive only in our advocacy of the great cause of thrift. We can afford to be competitive only in preaching the moral, social and economic rightness of an effort to make this a nation of savers and homeowners.

We have found that your institutions and our institutions, sprung from the same source and urged on by the same beneficent and expanding forces, can work together in ways that are mutually helpful for the great purposes which we pursue. Through this co-operation was built up, during long and able discussions before the Congress

and its committees, a broader and better national understanding of the purposes and character of mutual thrift institutions. Out of it all came a law embodying, at least, an honest and carefully considered recognition of the need for a sound and safe and continuing mutual service devoted to the interests, present and future, of savers and homeowners. Our position today, with the Congress having conceded the minimum protective-cushion necessary for the wise operation of such institutions, is a sound one; any assault upon it questions the integrity of the Congress and of its committees. Until there is some change in underlying conditions, those minimum protections are almost certain to be given the honest trial which they deserve.

Now may I add in closing that we think we have found that if, in the course of time, the gap between our institutions may be further bridged by legislation of the states and of the Federal Government, making mutually possible conversion where desirable from one form of institution to the other, it will enable both to face the future with the advantage of greater latitude, greater individual safety and a more resourceful position.

LONG-TERM TRENDS IN THE ECONOMY

by DR. RAYMOND RODGERS, *Professor of Banking
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THE SHORT-TERM OUTLOOK for business is very good, although sometime next year a downward readjustment may be expected to develop. As for the longer-range outlook, there is a growing, although rarely voiced, fear that the downswing of capital expenditures by corporations, rearmament expenditures by the government and housing construction outlays will deal a serious blow to the economy. Some are even beginning to wonder if it is not true, as the leaders of

international Communism claim, that the inevitable declines of such spending will plunge the United States into a serious depression which will bring in its wake the collapse of the entire capitalistic system.

Many government economists take the view that a continuously expanding economy with ever higher wages will be necessary to avoid large-scale unemployment that would be politically intolerable. They contend that the basic problem confronting this country in the future will be how to consume the huge quantities of goods produced by our greatly expanded industries and, in true Keynesian fashion, contend that the only way to solve it is to increase the purchasing power of our people, particularly the lower-income groups.

Even some conservative economists, such as Professor Slichter of Harvard, maintain that prices will have to increase 2% or 3% annually if unemployment is to be kept within politically feasible limits. Such opinions are predicated on the assumption that labor now has the power to force a continuous upward trend in wages, thereby increasing production costs and, thus, prices. These economists contend that without continuously increasing wages and prices, widespread unemployment would develop, the economic and social consequences of which would be too serious for a democracy to face.

LONG-TERM TRENDS

The controlling importance of such views and the standing of the economists advocating them make it advisable to analyze impartially the economic consequences of wage increases under varying conditions, so that sound conclusions may be reached regarding where we are headed.

THE ECONOMICS OF WAGE INCREASES

The first step in analyzing the various and varying economic impacts of wage increases is to comprehend the extremely wide range of expenditures which comprise total wages. In addition to direct money wages, fringe benefits must be included such as: social security; unemployment and workmen's compensation; sickness, accident, hospitalization and death benefits; pensions; savings and stock purchase plans; profit-sharing and bonus arrangements; paid holidays and vacations; terminal pay; discounts on goods purchased; rest and lunch periods; and even free meals in some plants. According to a study by the United States Chamber of Commerce of the practices of 736 companies in business and industry, these fringe benefits cost nearly \$25 billion in 1951. They amounted to 31.5 cents per hour, or \$644 per employee. The range was from a low of 5% of payroll in a cotton mill to a high of over 50% in an oil refinery, with an over-all average of 18.7% of pay-rolls.

The economic aspects of wage increases, in whatever form they take, are, in general, quite simple and unmistakable. Obviously, if higher wages are accompanied by greater productivity of either machines or labor, then the effects are, on the whole, favorable. These beneficial results are, of course, magnified when productivity increases faster than wages, as it enables producers to lower prices and thus attract more and more buyers. In the same fashion, if the increase in productivity is only equivalent to the increase in wages, then the situation remains unchanged and prices can be retained at previous levels.

On the other hand, if the increase in wages exceeds the growth in productivity, it inevitably forces an increase in prices, or a decline in profits, or efforts on the part of industry to reduce costs of production through labor-saving devices—or varying combinations of these.

A serious problem also arises from the fact that the increases in wages that have duly taken place in the United States during the past few years have not been uniform. Strongly organized workers have been in a position to enforce their demands, and, as a result, their wages have increased much faster than the wages of other workers. The net practical consequence has been such an increase in prices of many products that many individuals can no longer afford to buy them.

Such a development naturally leads to serious consequences. In

particular, many people whose incomes have not kept pace with the ever-rising cost of living and with the higher taxes have reduced their purchases, especially for those commodities for which there is an elastic demand. As became painfully apparent last year, this has been especially true of apparel and semi-luxuries. It is, therefore, not surprising that a smaller percentage of disposable income is going into these lines. This trend is compounded by the fact that the demand for food and shelter is inflexible and is, therefore, not particularly affected by changes in income.

Higher wage costs, especially in the face of increasing competition, force industry to introduce labor-saving equipment and machinery. This has taken place at an extremely rapid rate in recent years. For example, expenditures for plant and equipment during the seven-year period, 1946-1952 inclusive, were around \$133 billion, or \$19 billion yearly, as contrasted with only \$63 billion, or \$5.7 billion yearly during the 11-year period, 1935-1945. This contrast becomes all the more striking when it is recalled that the latter period included the heavy expenditures of preparation for World War II military production.

So long as the demand for capital goods—tools, machinery and construction—is very great, as is now the case, the effects of such a trend are not particularly apparent. But, when the demand for capital goods falls off, the serious impact on the economy of this substitution of capital for labor will become painfully apparent through a great increase in technological unemployment, which may last a long time.

Higher wage costs lead to mergers and consolidations—to the establishment of ever larger and larger units. This is because only large organizations are in a position to buy and take full advantage of most of the new labor-saving machinery and cost-reduction methods. But this raises political questions, as whenever a trend toward mergers develops in an industry, the Government immediately starts hostile action on several fronts, including anti-trust indictments.

Higher wage costs have a direct bearing on the prices of food and agricultural commodities, as the prices of many farm products are tied to a parity formula under the provisions of which a farmer is entitled to receive a price which will compensate him entirely, or in part, for the increased cost of the goods he buys. Such increases cause higher prices for food which, in turn, have a direct effect on all wages. Such increases, in addition, directly affect the fiscal position of the Government. This is because the Government is forced to buy up and store large quantities of farm products when crops are good, in order to maintain prices at the levels set by the parity formula. For example, this year the Government will have to carry, in one way or another, large quantities of wheat. This will be done with taxpayers' money; and, of course, any loss incurred will be borne by the taxpayers. In short, higher wage costs lead to higher prices of manufactured goods which lead to higher prices of food, which lead to higher wages, regardless of productivity, and so on, with the taxpayer

and his pocketbook caught in the middle through the parity tie-in of farm prices to manufactured goods prices.

Higher wage costs have an important bearing on the housing problem. Although this is well known, its controlling importance is not fully realized by many in the savings and loan field. To be specific, the sharp increases in wages in the construction industry and in the building materials industries have driven the price of housing upward to a point where many Americans cannot buy a home unless it is subsidized by a government guarantee or insured as regards the payment of interest and principal. As you know, if it were not for the FHA and VA guarantee programs, many of our people would not be in a position to buy a home even at today's boom level of business activity and employment. In the same fashion, new apartment rents are out of the reach of many without the assistance of some form of government subsidy. Public housing, which is growing by leaps and bounds, is, of course, the most complete form of such subsidy.

INEVITABLE LONG-RANGE CONSEQUENCES

As this analysis has indicated, wage increases which are not based on increases in productivity affect the entire fabric and structure of competitive capitalism. In view of this, it is high time for both government and business leaders to give careful consideration to the long-range effects of constant wage increases, regardless of productivity, in many sectors of our economy.

So far as the economic aspects are concerned, the results of a policy which continually increases wages without a commensurate increase in productivity are foredoomed. Such a policy, in short, will have the following economic consequences:

1. It will cause basic shifts from the use of certain commodities to other commodities (as has been so unmistakably shown in the case of coal in recent years).
2. It may, through ever more government intervention and subsidy, force continuous inflation.
3. It will, almost inevitably, cause large-scale unemployment.

The road ahead, if we are to have continual wage increases regardless of productivity, certainly does not present a pretty picture, any way you look at it.

LONG-TERM VIEW PRESENTS DIFFICULTIES

Increasing government intervention in the economic process and increasing government spending make sound long-range planning more difficult than ever before. In addition, Russia must be reckoned with in any estimate of the future. The forward-looking businessman will certainly be very busy if he keeps his eye on Russia, the Administra-

tion in Washington, the Federal Reserve authorities and the Treasury; yet, that is exactly what he must do if he wants to keep "on the ball." He has to do all this, in addition to running his own business, as any one of these factors can throw our economy into an almost instantaneous change of trend.

Formulation of a long-term view, also, presents difficulties because there are many new factors in our economy, such as:

1. A much higher standard of living: It is estimated that the real income of American workers has trebled in the past 50 years and that the real spendable income, after taxes, of all our people has increased 57% between 1940 and the present. This means new demands; but, what is more important, nearly all the rise of the past 20 years has been in the standard of living of the lower-income groups, which means a vast increase in demand, as they far outnumber the higher-income groups.

2. A much higher rate of obsolescence of machinery and capital goods: Obsolescence will create a much greater demand for capital goods in the future than in the past. The costs of production, especially wages, have increased considerably and a reduction in money wages does not appear politically feasible in the United States. This leaves increased efficiency of machines and labor as the main avenues of cost-reduction. Although the present level of expenditures will not be maintained, with keener competition ahead than ever before, much larger amounts than before the war will undoubtedly be spent by corporations to secure the cost advantages of the latest types of machines and labor-saving methods.

3. A much higher rate of population increase: The population experts of the late '30s, who contended that the rate of growth of our population had stabilized, have been confounded during the past decade by the most rapid population growth in our history. Coupled with this rapid increase, there have been vast population shifts within the United States—migrations unprecedented in history. These changes have created a steadily increasing demand for roads, parking facilities, schools, hospitals and other public necessities. Significant shifts in the age grouping of our people are also under way—some favorable, some unfavorable. For example, it is estimated that by 1960, 9.2% of the American population will be 65 or over, but, thanks to pension funds and social security, instead of being dependent, as they generally were in the past, they will have \$10 billion per year in spending power even though jobless. On the other side of the ledger, these population increase figures, which have been ballyhooed so much, must not be used uncritically. To be specific, there have been great shifts in the age grouping, which have largely offset the great population increase of the 1940-50 decade, so far as the next few years of the savings and loan industry are concerned. Thus, the entire increase in population during the period was in the group below 10 and above 25 years. In fact, in the 10-to-25-year group, in which you will be

primarily interested during the next 15 years, there was an actual shrinkage of 2,247,000 people, or 6.3%. The low birth rate of the '30s is adversely affecting family formation to such an extent that some experts place the 1953 rate of family formation at no more than one-third that of 1948, or around 500,000 new households.

4. A much greater institutionalization of savings: Institutions are being utilized more and more for savings purposes. Insurance companies, commercial banks, savings banks, savings and loan institutions and pension funds have, to a great extent, replaced the individual savers of past years. These savings are largely on a contract basis, so they are not subject to such wide fluctuations as in the past. This, of course, will have an important effect on the behavior of interest in the future.

THE AMERICAN ECONOMY IS DYNAMIC

These new factors and the basic characteristics of our competitive capitalism make our economy highly dynamic. In essence, this means the rapid creation of new wealth and new goods which, of course, destroy old value.

For example, a virtual revolution is taking place in the fiber industry. No one can tell what kind of fibers will be in use five years from now. The chemical industry, too, particularly the petrochemicals branch, is in the midst of great changes. New products are constantly replacing old ones. Medical science, also, has made rapid progress in recent years and even greater changes can be expected in the future. This, of course, has an especially important bearing on our economy, as it lengthens the life span and thus contributes to increased population and increased demands.

The dynamic nature of our economy and the great economic and social changes which have taken place in the past two decades, such as increased power of labor unions, pension funds, social security in its broader aspects, stronger banking and credit structure, increased power of government over agricultural prices and in the field of real estate, warrant the belief that it will be possible to prevent any future decline in business as severe as that in the early '30s. That is, fluctuations in business activity must be expected, but the sharp, severe swings of the past can undoubtedly be averted if the Government and the money managers use the tools available to them.

CONCLUSIONS

The future of our dollar is closely tied to our national wage policy. Our great productive capacity will inevitably make it more valuable, unless the "ever higher wage" delusion is permitted to destroy it. In any event, we are very near the end of the sellers' market in all lines,

and competition will force prices down in the months ahead if normal factors are permitted to operate. Looking further into the future, a sound wage policy is imperative if we are to have a sound dollar and a growing, healthy America.

Although we must expect a downward swing in our economy when capital goods spending, construction spending and defense spending begin to decline, the many social and economic changes of the past two decades insure that the effective demand for goods and services will continue to be great. In other words, while a highly dynamic economy such as ours is bound to have its ups and downs, the fluctuations in the future should not be so sharp or so great as they were in the past.

A BIGGER PART IN COMMUNITY AND NATIONAL AFFAIRS

by MORTON BODFISH, *Chairman*

Board of Directors

United States Savings and Loan League

Chicago, Illinois



FIRST OF ALL, I want to thank you, President Ben, for all the gracious things you have done for me this year; it has made it a very pleasant year for me. I know I speak for Norman Strunk and the rest of our U. S. League staff when I mention our appreciation of you. It is our considered feeling that without reservation of time and effort, you have given the League of yourself more completely than has anyone in the history of the organization. You have been a fine and wonderful friend.

I have complete confidence in your incoming president, Charlie Clements, in his good judgment and in his leadership.

FULL RESPONSIBILITY TO EXECUTIVE VICE PRESIDENT

I want also to say that I'm turning over the full administrative and executive responsibilities for our U. S. League to Norman Strunk, who has been associated with me for some 12 years. In making this announcement, I want to thank you all for the many courtesies you have extended to me personally. It has been a wonderful experience working for this business and has certainly given me a very interesting career. I'm going to be around with you for many more years, I hope. There is no question in my mind about your executive vice president's effectiveness and the kind of job he will do. It will be a different kind of job than I have done but the time has come for a different job. And I am convinced that he and all the others associated with him will turn in the first-class, full-time performance that you want.

On the platform in this group of your executive committee members and the past presidents of the U. S. League we have nearly as many persons as attended the first meeting of the organization in 1892. The

registration at this meeting, including the ladies, is in excess of 2,800 to make this the largest meeting the U. S. League has ever had. Previous high was reached almost a score of years ago when we met in Chicago at the time that the Century of Progress was attracting hundreds of thousands to our founding city.

IMPLICATIONS OF BECOMING A BIG BUSINESS

It is undoubtedly more difficult to be a good financial executive today than it was 60 years ago. Certainly all business is more complex, and in the financial field it is highly competitive which was not the case in 1892. Our savings and loan and co-operative bank business is tremendously larger; we are rapidly passing the \$22 billion mark. If the present rate of growth lasts for another ten years, you and those you have trained to assist and succeed you will be handling in the vicinity of \$50 billion.

As we are about to become a \$50-billion business, I urge that we think about establishing ourselves, as an understood, an accepted and a respected part of the business community. All the adroit public relations and all the fancy advertising will never achieve this high regard unless the executives of our institutions command the respect of that community, and unless the institutions they manage deserve that respect.

The market for our services in this business is entirely a local one, and practically every officer and staff member is a resident and a citizen of the community in which the institution operates. In making our plans is reasonable consideration given to the attitudes and reactions of other business men and the other civic and professional leaders of our community? In other words, what are the civic works of the officers of our institutions? Do our executives participate in community work and public affairs, and do they do this naturally and enthusiastically so that it is welcomed and admired by the balance of the community? There are hundreds of instances where the highest ideals and the most complete respect have been deserved by and given to our institutions and their officers. I believe we all can think of other instances where there is more to be done.

There are persistent antagonisms and prejudices facing all types of financial institutions, particularly ours. We can't just wipe out entirely in the prosperity and growth we've had in recent years some of the freezing and failures of some years ago. In many communities our institutions are just becoming known and understood as modern financial institutions. There are some pretty substantial antagonisms on the part of lofty and sometimes vicious or self-sufficient competitors, and they hurt.

Furthermore, the public has an ingrained suspicion of mortgage institutions. The economic history of the United States is not quite

so enthusiastic about or complimentary to mortgage institutions as it might be.

So, if we're to have, over a sustained period, that co-operation and public confidence that a financial corporation seeks, we must be respected and we must have on our staffs men and women of integrity, culture, personal responsibility and an understanding of people. I still believe that the accountholder is a co-owner of our institutions and a co-employer of management. In my humble judgment, there is much yet to be done as we become grown-up financial institutions, earning, deserving and taking their proper place in the business life of our communities.

That is one of the things that practically all of us admire about our friends in the mutual savings bank business. It has been my experience that there is a very universal understanding of them and a very deep respect for them in the communities in which they function. Perhaps that is one of many things we can learn from them.

I'm happy to report to you that our relationship with the mutual savings banks is becoming increasingly close. The regrettable taxation controversy of a year ago made us akin for a while; we were both in the same difficulty and we worked closely together in trying to deal with it. I hope that this co-operation will continue.

We are going to have a conference with our mutual savings bank friends about the branch question. Together we are going to try to iron out the little irritation points and the difficulties in this regard. I am confident we will come to an agreement.

You'll be interested to know that some very influential and distinguished savings bankers have stated publicly that if commercial bankers don't stop trying to tie them up in the state legislatures, there will be serious discussion of the possibilities of federal charters and much closer co-operation with savings associations. I think it's entirely possible that the two roads can merge bit by bit, by proper state legislation and development. There is a start being made in this direction in New Jersey where the possibility of a common code is being considered. Ultimately such co-operation could lead to a nationwide system that would furnish the bulk of the mortgage credit of the nation and do a greater public service than is currently being provided.

PRAISE FOR FHLB SYSTEM

Many of you knew Joseph Earl Perry, when he was Bank Commissioner for the Commonwealth of Massachusetts. Now as president of the Newton (Mass.) Savings Bank he is president of the Savings and Mortgage Division of the American Bankers Association. At a recent meeting he said some complimentary things about savings and loan associations instead of charging that they are pretending to be banks and thus creating a third banking system. In speaking of the

early '30s and the Federal Home Loan Bank System, he said that the system "started out with something of a combined persecution and crusading complex." Then he continued, "From its inception, however, there has been a solid core of sound and patriotic leaders who have tried to restrain the economically immature zealots in their midst. They are still at work, and their work is showing results." I think that is a very fine compliment and a very encouraging statement. Certainly, the bulk of the leaders in the mutual savings bank business will find, in the long run, much more in common with the institutions represented in this room than with the commercial banks.

REPERCUSSIONS OF PRESIDENTIAL ELECTION

Now, let us discuss a couple of things about the recent election. The question that is in all our minds is: Has a trend to centralization and to the left been reversed? I doubt that it has, but I think it's possible that the trend can be reversed. I think you're going to have an era of good will in Washington with the whole underlying attitude being basically friendly to the aims and purposes of private business. I doubt that the change means that the Government will abandon its interest in housing and home finance. I do, however, think that the accent will be on encouraging and facilitating home ownership but without centralized controls and the promotion of federal ownership schemes. I think that the new administration will encourage the great progress that home-ownership has made. It is the backbone of a solid nation that the bulk of its citizens have an opportunity to own their own home or farm if they want to. I know of nothing that makes for greater economic and political stability.

If it is possible to reduce government spending in some fields, although that is somewhat in the hands of the leaders of other governments, some of the inflationary pressure can be eased. In that regard, we, as custodians of millions of savings, must lend unhesitatingly our influence and leadership in protecting a stable dollar, because the stable dollar is the absolute necessity if we're going to maintain a capitalistic, enterprise system where the people furnish the capital with which we run the factories and build the homes of the nation.

As you know, the Congress is quite evenly divided with some of our fine conservative friends from the South probably more than outnumbering the New Deal Republicans. You also know that the type of legislation in which we are primarily interested is handled not in the debates on the floor of the Congress but in the work which is done primarily in committees under the leadership of ranking members who have had years of experience on these committees.

The partial reorganization of the House will bring to the Banking and Currency Committee two of the finest and most stalwart friends of the savings and loan business. Their interest dates back to the

beginnings of the Home Loan Bank System. I refer to Jesse P. Wolcott of Michigan and Ralph A. Gamble of New York.

In the Senate, the Banking and Currency Committee will be headed by a man who has known savings and loan for a long time. He is Indiana's Homer E. Capehart, who has been connected with it since early in his career. The second ranking member will be our fine friend and savings and loan director from Ohio, John W. Bricker.

The House Ways and Means Committee, which has the leadership in taxation matters, will be headed by Congressman Daniel A. Reed of New York. The second man is our old friend, Tom Jenkins of Ohio, who was for many, many years in the savings and loan business. Those two men were the stalwarts for our and the mutual savings bank point of view when we had the controversy last year.

With regard to the tax controversy, I fail to see why we should adopt the theory that a decision which has been made at one time represents something that cannot be challenged or changed. In fact, I am unwilling to admit that the decision has to be final. It was inequitable to select the mutual savings banks and ourselves as the only type of co-operatives upon which to impose substantial taxation.

There's only one way to do anything about it. That is for you and your associates to visit with your Congressmen, and particularly your Senators, about it now, away from the hurly-burly of writing a tax bill, so that we may lay the groundwork for an intelligent and continuing discussion of the matter. I wonder how many of you know that at one time the Federal Government imposed taxation on the mutual savings banks. It was not much of a tax as we know taxes now, but it was a tax. After something like four years, this statute was repealed. So, you see, it can be done, and we should each in his own way start to take some steps in that direction.

There is nothing in this picture of changing governments that should affect policy-making in your institutions. There is no great aggregate of things that we want from the Federal Government, other than straight administration of the agencies in which we are interested and for which we, with the exception of about \$85,000,000 in the case of the FSLIC, have furnished all the capital. I hope we clean that up one of these days in a more rapid manner than it is now being disposed of, so that we, as the county itself trends to the right in policies and procedures, can demonstrate that we have been consistent; that we are not in the position of all too many businessmen who carry the resolution against government expenditures to Washington to deliver to one member of Congress before they go to see another about getting a new bridge or something of that kind in their town or village at federal expense.

Our business doesn't have to have ideal and overwhelming business prosperity to function. Your reserves, the kind of management talent that you are developing and your liquidity are good in prosperous times, but they are geared to help us move effectively through pe-

riods when conditions are not so prosperous. I can conceive of nothing, except war, that would cause anyone in public or private life to interfere with the great construction industry that builds the homes of America. As long as it builds a million homes a year, credit will be needed.

I hope that we can continue to exercise a high quality of business statesmanship as we become part of the grown-up, established financial community and as we assume the unquestioned leadership in home financing and, ultimately, dominate the thrift activities of the nation.

MEANING OF THE PRESIDENTIAL ELECTION

by DOROTHY THOMPSON

Author, Commentator and Columnist

New York, New York



IT IS DIFFICULT to discuss our position in the world right on the heels of an election which, I confess, I have not yet digested to my own satisfaction. It was an election whose results, I am quite sure, will bring about new orientations in both our domestic and foreign policies—policies which are not yet officially outlined or clear.

The outcome of the election astonished me. I had speculated that Stevenson might even win but that, in any event, the outcome would be close. In retrospect I was very wrong not to have anticipated that if General Eisenhower won at all he would win by a landslide. Actually unless the tide of the last 20 years had turned very radically, no Republican would, in all probability, have won. I say this because the history of American elections shows that except in normal, rather sleepy times, when one party may succeed another for fairly trivial reasons, complete overturns have nothing to do with the personalities of the candidates. In saying this, I do not underrate the magic of Eisenhower even against a remarkably able opponent.

HISTORY OF POLITICAL PARTY ASCENDANCIES

The last time any party stayed in power for anywhere near the length of time that the Democratic party has been in was after the Civil War when it looked as though the Republicans were in forever. Then the Democratic party was the party of the defeated; the Republican party was the party of victory and of Abraham Lincoln, immediately after his death. It was the party of industry which was expanding phenomenally under high protective tariffs. That condition lasted until it really had run itself out.

A national disaster such as the depression of 1929, '30 and '31 can turn the tide as it did in 1932. Incidentally, the tide turned in every country that was severely hit by the depression. It is interesting to

consider that the Roosevelt Administration came in at the same time that Adolph Hitler did in Germany and for very much the same reasons: a widespread depression; immense unemployment; a middle class which had been hurt first by the inflation and then hit very heavily by the deflation. I cite these facts to emphasize that this was a world-wide depression, and I firmly believe that in 1932 no Republican could have been elected and that any Democrat would have been.

As I see it, when a party is in power, if the times are critical and the people are even halfway satisfied, they are unlikely to vote for a change. The Roosevelt Administration reached a popularity peak in 1936. Unemployment was never below 8,000,000 until it was absorbed by an armament program that did not begin until 1938 and 1939, but there had been 14,000,000 unemployed in 1932. Four years later no work and the depression were still fresh in everybody's memory. By 1940 though the depression was in the past, a European war which had broken out the year before certainly helped the tendency not to rock the boat and not to change the administration, so that an immensely popular, most winsome candidate, Wendell Willkie, could not turn the tide.

Again in 1944, people were sufficiently satisfied not to want a change. I doubt that you could have had a more popular candidate than Governor Dewey. The Hiss case, you remember, had not yet broken, nor the corruption scandal, nor the Korean War. Even in very critical times, as I see it, people do not vote for a man. I may be wrong, but I doubt that corruption played a very great role in the recent campaign. Governor Stevenson—both man and his record—could have satisfied the voters on that count.

It is customary to be on the side of what is. If things are reasonably satisfactory a person argues to himself, "Why risk turning over the apple cart?" Though he may be grousing about a hundred things, when it comes to a showdown he says, "Well, I guess I had better let it ride." That is obviously what happened in 1948. This very reaction is more likely when a party has been 20 years in office and has developed in that time a very great extension of government. Millions of people—either directly or indirectly—are associated with it. Now, for instance there are 2,500,000 federal employees. Their jobs are secure in civil service or other positions. They want to keep things as they are. Also, thousands of people—many of them Republicans—have government contracts and reason that a change of policy might possibly be to their disadvantage.

COALITION BUILT BY DEMOCRATIC PARTY BROKEN UP

There is one major fact that has kept the Democratic party in power election after election. In the last 20 years, this party has created what might be called a vertical rather than a horizontal organizational

pattern which has proved its superiority as a machine in election after election. That pattern has been to form a coalition of organized labor made up of the newer national minorities, including those who have thought they are less privileged, Jewish organizations of workers, the northern Negroes and, finally, the political machines of the great cities. Some of these latter are thoroughly corrupt organizations and have been a disgrace to America for 60 or 70 years. As government has grown more centralized these machines have developed closer tie-ins with Washington than they had in the past, and the votes they are able to deliver come, for the most part, from the poor and more ignorant people who are, naturally, the most easily influenced. These various groups form the mass of every great metropolitan vote. Finally, the New Dealers have had aligned with them the most articulate, which is not always synonymous with the most intelligent.

As long as the Democrats could count on most of the South and hold their coalition elsewhere they seemed practically unbeatable except in the case of a real tidal wave. Obviously, such a wave had gathered. It was an overturn much like the one in 1932 which cut through class and group lines and was tantamount to a minor revolution.

Eisenhower not only carried every farm state, which I had anticipated, but he carried every great industrial state in the Union, including Stevenson's Illinois and Truman's Missouri. I was rather sorry Stevenson lost Illinois, but my newspaper friends in Chicago say it was not astonishing because Illinois is normally a Republican state and that it was the election of Stevenson which was the fluke because there was no adequate candidate to oppose him. The fact that he came in with 500,000 normally Republican votes when he was elected governor did not mean that Illinois was voting for the Democratic party in a national election.

The Republican tidal wave failed to crack the coalition only in the great metropolitan centers. While General Eisenhower carried every industrial state, he did not carry a single city with a population of over a million although he did carry most of the counties in which these cities are situated. It was to keep this coalition alive that President Truman entered the campaign to make the class appeal because Governor Stevenson was fitted neither by temperament nor by conviction to do it. The song, "Don't Let Them Take It Away," and the slogan, "You Never Had It so Good," were not addressed to the American people as a whole but to the coalition. Those who wanted to take "it" away were the other Americans, not the ones the Democratic party had systematically supported and privileged.

I was very much interested at the introduction of discussion of the McCarran Immigration Law into the campaign at that point. That was a direct appeal to voters of certain national origin. Now, in my mind, the McCarran Act is open to a great deal of criticism for it is not a rational law. There are two things, I suppose, we will never

have—a rational immigration policy and a rational tax policy. Nevertheless, it was a deliberate distortion aimed at capturing the Jewish and Catholic vote to say that the national quota system, which the McCarran Act confirmed, has worked out to bar Jews and Catholics from this country. One can say a thing like that when appealing for votes with perfect confidence that very few people are going to sit down and study *The Statistical Abstract* of the United States and find out what really happened.

I spent two full days studying *The Statistical Abstract* to ascertain whether there was any ground for such charges. I found that between 1920 and 1950, immigration from the wholly Catholic countries such as Latin America, Italy, France and others plus proportionate percentages from partly Catholic countries such as Canada, Germany and Czechoslovakia has been almost exactly 50-50, Catholic and Protestant.

As for the Jewish immigration, the figures are more startling. Jews, of course, come into our country under all quotas. They are not separately classified as a nationality group, but they are recorded in the *Jewish Yearbook*. The fact is that in the past 20 years, the Jews, taken as a separate national group, have had the largest *pro rata* number of immigrants under all quotas. They averaged over 10% of all immigrants during this period, and in two years they were more than 50% of all immigrants.

The distortion was used to hold the coalition together.

At the Chicago Democratic Convention, its leaders were bent on driving these groups into a real class party, ignoring the conservative southern delegation. They argued that the Democrats would have won all four previous elections either without the South or with a divided South and wanted to adopt a program which would deprive the Southerners of very important committee positions and clear the alignment between the reactionaries and the regulars to lay a foundation for a real Social Democratic party on the European continental pattern or a Labor party on the British pattern. There isn't any question that that is what they wanted to do.

BASIS OF DEMOCRATIC PARTY STRENGTH UN-AMERICAN

It is the break-up of this coalition that seems to me to be the most heartening result of this campaign, regardless of the candidates involved, because this kind of bloc voting is not typical of American democracy. Nor do I think American democracy can permanently survive such alignments. American democracy aims at the maximum of unity, not the maximum of division. This is more essential in this country than in many others because our country possesses no racial basis for its cohesion.

A nation divided by class and nationality is a nation divided against itself. The eventual result is a perpetual condition of civil war even

if the weapons are ballots instead of guns. I have spent many years of my life in Europe where I have seen that it is impossible, under such class parties, ever to get a really unified nation or a real consensus of opinion. The liberals in our own Democratic party would, if they could, copy European developments here. The results, I think, would be the same as those which afflict Europe—either a stalemate which makes efficiency all but impossible or the domination of one party by the other.

When such steps are taken, they are not reversible. After all, you can vote to put the party in power, and you can vote to take it out of power, but you can't vote every four years to nationalize or denationalize a great industry like steel. Sooner or later you have to make up your mind, or there will be economic chaos.

General Eisenhower appeared at this historic junction not, as I see it, as a party leader but as a symbol of American union, not as a Republican but as an American promoted by the Republicans. That, to my mind, is of historic importance and necessity for it meant that this Democratic party and coalition should not have another four years or eight years in which to continue to flourish.

Governor Stevenson's supporters feared that he appealed to the childish desire of the people for a father. I feel he was probably right, but I think the desire is not childish. What is the function of a father if it is not to hold the family together? And didn't our own founding fathers warn over and over again against the menace of just such factions? George Washington, in his Farewell Address, warned against the menace of factions; the breaking up of the population into classes is exactly what he meant. There was good reason for his warning, for when Washington went out of office the French Revolution was taking place and we had a lot of Jacobins in the United States who were organizing pro-French leagues. The situation was very similar to the one our current electorate faced.

I find a great deal of poetic irony in the fact that the Democratic party lost everything for which it was struggling. It lost all the really progressive states and was left with only its stepchildren—nine states south of the Mason-Dixon line, five of them, by any count, the most backward in the nation. This party which has claimed a monopoly on liberalism lost all the liberal, progressive strongholds such as New York, Wisconsin and California. It lost the states from which most of the radicals have always come.

PROBABLE POLICIES OF THE NEW ADMINISTRATION

Some people think this means we are in a wave of reaction. I doubt that. I think and I hope it means that America is going to be more American than ever with its own form of liberalism, not a bad copy of a bad imported one. In this regard, the returns are worth some careful study. They show for instance that the President-elect ran

ahead of McCarthy in Wisconsin by a whopping 200,000 votes. He ran way ahead of Senators Jenner and Malone, and, despite the Republican victory, Senators Kem, Cain and Ecton—all classified as reactionaries even by liberal Republicans—were defeated. All this, I think, suggests that we shall have some fresh thinking on what social progress really is.

I had a very interesting conversation with General Eisenhower at SHAPE in Paris on April 1 on this subject. He said: "What is accomplished by legislation which sounds very social? Does it make people more prosperous, more independent and even more secure, or can it possibly work out the other way?" I would really like to see this explored by the new administration.

Wage laws and social security measures will certainly stay on the statute books, but they should be re-examined, particularly the latter, to see whether or not they accomplish in their existing form the purpose for which they were designed.

Take the old-age security provision for instance. Under the present law, a man and his employee contribute at every pay period. When a 17-year-old boy takes his first job, he has to begin saving for his old age under compulsion. Unlike any other form of insurance there is no age at which he can be sure of collecting his so-called old-age security until he is 75, because if he earns more than \$900 a year at anything—odd jobs or part-time work—after he is 65, he must forego the old-age payment and must even go on saving for his old age out of these earnings. The man who has saved or inherited money may stop work at any time and at age 65 can collect his old-age benefit. I fail to understand how this can be called social.

There are many people over 65 who want to have some part in working life if they can. It isn't true that when people retire they live longer; they don't. They get bored and die earlier. Maybe that is the object of the law as it now stands. I would like to know why the work of a man past 65 should be thus penalized only to add, as it certainly does, to the Democratic strength.

I feel that putting a floor under the major hazards of life is right, but there is no question that the New Deal started a trend—which has been copied elsewhere in the world—that "father knows best about everything." The American belief, however, has always been that every family knows better than anyone else where its shoes pinch, how it can spend its income and meet its problems, and that, in general, the most money you leave in a man's pay check, the better off he will be. That is the American idea.

The kind of state that the New Dealers envision is not a welfare state—and I wish people would stop using that word. It sounds so good. It is a "nanny" state in which everybody is under a government or a schoolmaster, supposedly for his own good. Such a society never has and never will release the maximum human energy, and a good society is the one which releases the most energy.

Most of my friends are Democrats who were very mad at me when

I came out for Eisenhower. They asked, "Won't the Republicans lead us into another Hoover depression?" The assumption seems to have been that the Republican millionaires made the last depression for spite. If they did, I wonder why so many of them jumped out of 20-story windows.

The economic situation today has many dangers but not the dangers that precipitated the depression of 1929 which was attributable in part to the overextension of private bank credit. There are certain men in the administration who think they can check inflation by removing part of the pressures on the collective bargaining process without trying to freeze wages or control prices, which, incidentally, no government in history has ever been able to do. Some of these New Deal measures are just as new as those of the Emperor Diocletian in ancient Rome. He tried too, and he demoralized the whole Roman economy. It has been tried over and over again, and it has always failed.

I should hope and think that under a Republican administration we would have marked economy. Incidentally, I might remark that the only European country which has really staged a great comeback is West Germany. It is the only one which has restored a sound economy and, consequently, is the most productive country on the continent. As far as the workers and business are concerned, it is concentrated on the floor and not on the ceiling.

I should anticipate that the Republican administration would operate to check both deflation and inflation by sounder methods than credit control to encourage investment or discourage over-investment.

I don't anticipate an appreciable reduction in taxation, but I would anticipate certain changes in the rules and a more sincere intent to reduce the national debt. Now, of course, the question is, "Can government spending be reduced?" As a woman and a housekeeper—and I think the women had a lot to do with this change—I think it certainly can be reduced. But it takes an administration that has made up its mind to this course to do it.

SOME SUGGESTIONS FOR ECONOMIES IN GOVERNMENT

Both taxes and the cost of living have gone up so most of us have had to reduce our spending. How do we do it? We go at it systematically, item by item, beginning with the things we like but don't need and going to the things we need whose cost can be reduced by careful buying or by the purchase of a substitute. And we certainly don't buy two of the same thing at once. But the Government does!

The duplication of agencies is appalling, and many of the efforts of one are exerted to destroy the efforts of others. Take one illustration. If the administration could make up its mind whether flood control belongs to the Department of Forest Conservation, the Department of Agriculture or in the hands of the Army Engineers, it would

save a great deal of money, including that spent by each of them to wage publicity battles against the other one.

If anyone thinks we can't save money in the Army, let me point out that the various branches of the Armed Services don't pay the same prices for the same things. They buy many of the same things; they even bid against each other. And I will bet my last dime that in some cases the Armed Services are already laying in enough supplies to see them through two world wars. Remember what happened after the last war? Butter was rationed and the Boy Scouts were collecting used fat while the Army was dumping tons and tons and tons of canned butter into the ocean because it had gone rancid. It seems the cows were still working even during the war.

It is a grave question whether or not a new administration can get the five-percenters out. I am very skeptical about that as long as the Government is the chief purchaser of thousands of million-dollar contracts, but am sure it can scrutinize the contracts more carefully. It certainly will re-examine some of its appropriations to these various new agencies which have been created and to the various cultural and humanitarian activities of the United Nations.

Take for instance the UNRWA—the United Nations Relief and Works Agency—which is trying to take care of Arab refugees. Nearly \$100,000,000 has been appropriated for this project since 1938. This is an area I know very well. Not one thing has been done for these miserable refugees; they are exactly as bad off as they were. In fact, they are worse off because their morale is getting worse all the time. And the salaries this agency pays! An ordinary typist—not an experienced secretary—gets \$6,965 a year. She only has to sign up for a year. She gets her airplane travel out, let's say to Beirut, and back in a year; she gets everything that she buys free of taxes—cigarettes, liquor, wine, cosmetics—and doesn't have to pay any income tax. There she is in Beirut where an assistant professor in the American University of Beirut—one of the finest educational institutions in the whole Middle East—gets just half her salary. You ask, "Why?" Those in the agency say they can't get people unless they offer big salaries.

Well, I say, let the Quakers or the Salvation Army take care of this work. They are people who don't care about money, who are really dedicated souls, who go and take care of the poor for love of their Lord and Savior, Jesus Christ. For that reason they are much better than these UN people.

The new administration should look into some of the newer agencies, for instance, Point 4. Those workers move into a project like an Abercrombie and Fitch safari with enough experts to staff a government. They make out projects that couldn't be carried out for 50 years, and they make them out for governments that don't have statistical departments. They simply appall these people instead of taking a few simple things that every man on the street can see to carry out. And they are all getting higher salaries than our normal diplomatic agents.

MILITARY MEN SEEK TO AVOID WARS

Then there are those who say, "Won't a general in the White House get us into war?" I think just the opposite. Military men take war a great deal more seriously than civilians because they are the people who have to figure out how to win. I am convinced we shall not have another world war, chiefly because neither the Russian nor American General Staffs can figure out how to win one. It would be a war of mutual destruction. It would go on until one or the other quit out of sheer exhaustion and left the survivor with the wreckage. The Kremlin's idea of a good war is one that other people fight to their mutual destruction. That is the war the Kremlin hoped to have in 1939; it is the war she would like now, with the United States slugging it out with China. I doubt that there is a Chinese-Russian military pact which would compel Russia to enter the war if China were directly attacked. I would hope there was such a pact as it would act as a deterrent to Chinese ambition and would also discourage any foolish people in the United States.

I also hope that the Republican administration isn't going to be accused of being Communist infiltrated; that we may get a little more reason in our foreign policy; and that we may return to diplomacy. When using diplomacy, it is absolutely necessary to put yourself in the place of your opponent, no matter how much you hate him, and try to see what, if you were in his place, you would or would not concede.

What are we really fighting for in Korea? Theoretically, of course, we are fighting sin; we are there to punish aggression on behalf of the United Nations. I am against such crusading; I have been bringing in a minority report on this for a long time because I believe sin is here to stay. So, let us look rationally at these problems, as problems, and stop fighting theological wars.

The Korean problem is not a new one. It existed long before there was any Communism in the world. The real reason we are there, I hope, and the real reason the Chinese are there, backed by the Russians, is the importance of Korea to the security of three Asian countries—China, Japan and Russia. Korea is a peninsula with a long land frontage on China and a short one on the Soviet Union. The same peninsula lies within a few miles of Japan, and it was the base from which Japan invaded Manchuria. Now no country fears Korea for herself, but South Korea in alliance with China and Russia would menace Japan, which the United States, as her protector in the Far East, is morally bound to protect. Similarly, North Korea in alliance with the United States is a threat to China and the U.S.S.R., which would not be tolerated by any government in these two countries. China, you recall, never moved a soldier until the United States had crossed the Yalu River and started toward the Chinese frontier.

The buffer position of Korea is why it has never, in history, been

an independent state but always under the suzerainty of China or Japan. Its position is the real issue today, and I doubt that the dilemma can be solved until we recognize the real problem and try to solve that instead of thinking in theological terms about good and evil. I am very much against religious wars; they have had a very bad history.

NEUTRALIZATION OF KOREA RECOMMENDED

There is only one status for Korea, as I see it, that would permit her ever to be safely free and independent and that is to remove her by neutralization as a menace to all the great powers, including the United States and the Soviet Union. Neutralization means something precise. It means that Korea would make no military alliances whatsoever; that no foreign power or state could invade Korean soil; that no Korean would be permitted to enlist in any foreign army; and that Korea would pledge herself to fight to the last man against any violation of that status.

Of course, you may say that in case of a world war such an agreement would be violated anyway. So it would, but Korea would not then be the cause of a world war. You may also say that the Russians or the Chinese would never accept this suggestion. How do we know? I say that not one single proposition has been made that China or Russia could accept. I say it would be political dynamite for Russia to turn down such a proposal because it would have the support of all the non-Communist countries of East and Southeast Asia. Furthermore, if such a status, guaranteed by all the great powers, were violated, it would certainly mean a world war—that world war which I am convinced the Kremlin is just as anxious to avoid as we are, not for moral reasons but for reasons of self-interest.

The concept that the world must, of necessity, line up in one of two great blocks, either under the leadership of the United States or under the leadership of the U.S.S.R. is, I think, a very dangerous one. I see no chance of our getting anywhere on that basis. What we need is more great blocks, more neutrals, more states that are free to exercise their weight to keep the balance and fewer slogans like, "The world can't survive half slave and half free." I can only comment that it always has.

I am also convinced that in the long run it will be free. That may be wishful thinking, but at any rate I am sure that there will always be many interpretations and many degrees of freedom. We must give history time to work out these prophecies. If we try to hasten their attainment by going on a crusade for universal liberation, neither freedom nor the world is likely to survive except on the other side of a new Dark Ages.

Unless General Eisenhower has changed his mind since I had that talk with him in Paris six months ago, he is extremely allergic to

crusades for anything beyond getting America back to more of her own traditions, to cleaner government and, I hope, to more horse sense in our foreign policy. America has to be strong, economically and militarily, in order to exercise effective diplomacy, but to my mind we would do well not to talk so much and to think a great deal more precisely.

THE COMMUNIST INFILTRATION IN GOVERNMENT

Let us turn to another bogeyman of the Democrats, Senator McCarthy. It has been predicted lately that he will be President in 1956. My opinion is that Senator McCarthy has received a tremendous build-up from his enemies who by making him a devil incarnate have built him into quite a character. Senator McCarthy essentially is a mediocre man riding the wave of a general and legitimate dismay about the Communist infiltration into our Government during the last war.

That infiltration existed; to some extent, it probably still exists. The documents which turned up in Whittaker Chambers' possession during the Hiss trial permitted the Russians to crack the State Department code and listen in on every communication we had with other countries. Even those who believed in the innocence of Hiss must admit that Chambers was a Communist agent and did get State Department papers from somebody. And it is a fact that the leading government agencies never co-operated with the Un-American Activities Committee and were slow in setting up anything like an adequate agency to make it unnecessary to have the Un-American Activities Committee even when they had been warned of connections here with the atomic spies in Canada by the Prime Minister. Under such conditions you are bound to give credit, it seems to me, to Senator McCarthy. But McCarthy, I suspect, was in a much stronger position as a member of the opposition in the Congress than he will be under a Republican administration.

I also think that the recent election was a revolt against a certain type of intellectuals who have had a big run in Washington ever since the first New Deal. They are full of ideas, gifted with brains—their own sort of brains—and especially gifted with the capacity to verbalize. They think that if an idea can be formulated and then be put into words, it will be wonderfully easy to put into practice. This is very much like the lawyer who thinks that the winning of a case settles the fundamental problem which gave rise to it when very often nothing at all is settled by the winning of a legal case. There are also economists who have never been required to tackle any fundamental economic problem at the bottom where they must deal with men and with things.

Another characteristic of these New Deal intellectuals, as I have known them, is that they have extreme contempt for anyone with a

different kind of brain than their own. The great thinkers of the world are not this type.

Shakespeare himself worked as a stage hand. He not only worked as a poet and the greatest dramatist that ever lived, but he was an actor and a director—obviously a very good one for he wrote about the best directions for actors that have ever been given in his speech to them in Hamlet.

Goethe, the greatest of all the German writers, was secretary of state and a scientist who made researches of the problems of life.

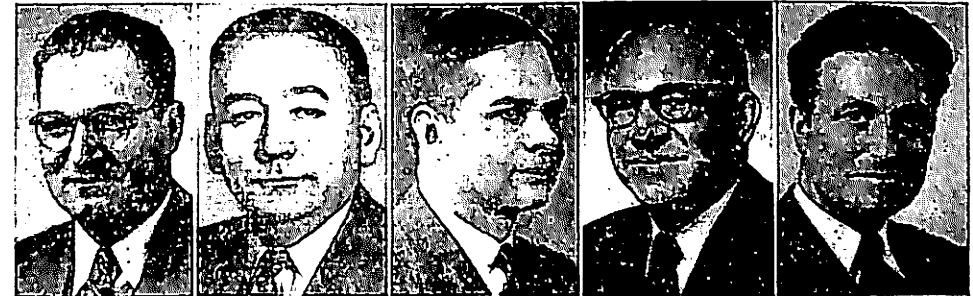
Michaelangelo was a mason and a master plasterer who himself prepared the walls for the great frescoes at St. Peters.

Our age, it seems to me, has become overspecialized, and that is probably the fault of our educational system, which is another long story. Of course, I wouldn't want to see a general exodus from Washington of this particular type of highbrow, and we won't. But I would be glad to see fewer of them and also fewer of the sort of liberals who believe everybody, including Communists, should have free speech provided he is not a conservative.

In conclusion, let me say that I am very glad that after 20 years the other of our two great parties will have responsibility because a party that is long years out of power tends to become a common and irresponsible scold while a party confident that it will be forever in power always tends toward complacency and corruption even in the best case. Now the Republicans must show that they can perform as well as criticize. If they get a little more order into our financial affairs and a little water out of the economy, a little less one-world idealism and a little more common sense and realism into our foreign policy, I shall think November 4, 1952, was a good day for America.

MANAGEMENT AND OPERATING POLICIES FOR 1953

A Symposium



Weimer

Dreier

Taylor

Hewell

Vander Ende

REAL ESTATE AND MORTGAGE LENDING TRENDS

by ARTHUR M. WEIMER, *Dean, School of Business, Indiana University*
Economist, United States Savings and Loan League

Bloomington, Indiana

The interest which the Convention has taken in the remarks of Herr Flatz and Dr. Schuon indicates that we are beginning to think in terms of international as well as domestic finance. That is good for much of what happens to our economy in the year ahead, as in the past year, will depend on what happens internationally, and much that can be accomplished by businessmen and government officials will, of course, be determined within the limits established by the international scene. Assuming that the international scene does not deteriorate further or improve very much, I can give you a brief summary of real estate and mortgage lending trends.

Based on the reports of our Committee on Trends and Economic Policies and on some other related information, it appears that the year 1953 will be a favorable one for the housing and home-mortgage markets of the country. The most optimistic estimates, however, do not suggest that there will be a greater volume of house-building in 1953 than during the current year. Our best estimate, currently, is that the volume of house-building will decline slightly from present

levels of around 1,000,000 a year to somewhere in the neighborhood of 900,000 units next year. Under such conditions, very large variations may be anticipated as between local communities. These variations have even been growing larger during the current year and I urge you, therefore, to place renewed and continued emphasis on the study and analysis of your local housing markets.

In this regard, I want to call your attention to the action of one of your fellow managers. Lloyd Tilton of the Santa Barbara (Calif.) Mutual Building and Loan Association established a research department about a year ago and he made it the primary responsibility of one of his staff members. He reports that even in the short space of time his research department has operated it has more than paid its way. As we find more and more variation developing between local markets and national trends, I believe that many of us might give consideration to the possible establishment of such a research department.

Generally speaking, housing markets will grow more competitive in the year ahead. The volume of sales, we think, will approximate that of the current year, but brokers will have to work harder to make those sales. Furthermore, competitive pricing, especially of older houses, may be anticipated. Very little change is expected in mortgage-market conditions during the next six or eight months.

Interest rates appear to have stabilized; there has been relatively little change in the terms under which conventional mortgages are being made.

Some reductions, though of limited proportions, in the business demands for capital are anticipated, and this, with perhaps some reduction in the volume of house-building, may result in somewhat more mortgage market competition during the latter months of 1953.

In the housing and home-financing fields, as in most other lines of business, 1953 may be characterized as it was characterized by your Committee on Trends and Economic Policies as the businessman's year since the trend of economic development will depend to a greater extent on the decisions and actions of businessmen than at any time since the end of the war.

MANAGER'S ROLE IN BUSINESS PROMOTION

by WALTER H. DREIER, *President*

Union Federal Savings and Loan Association
Evansville, Indiana

Year in and year out, U. S. League leaders and various other speakers at our annual conventions have advocated that managers strive to

organize their staffs so that they will be relieved of some of the detail work of the association and thereby gain more time to devote to thinking. Henry Ford once said that thinking is the hardest work there is; that is why so few engage in it. Perhaps that is why some managers are more progressive than others. For that reason some savings and loan institutions grow more rapidly than others. The manager who has arranged and scheduled his daily program to the point where he has time to think particularly about the promotion of his institution, will undoubtedly uncover many ways and means to foster more rapid growth.

ROLE AS SALES MANAGER

The manager should regard himself as the chief business promoter of his association. In other words, he should be the sales manager of the institution. He should arrange his schedule and that of his staff so he can devote a substantial portion of his time to the matters relating essentially to the promotion of the public relations activities of the institution. Promotion is the one thing that the manager is better qualified to undertake than any other one in the organization. He is the executive who is more fully acquainted with the problems with which the institution is confronted, particularly that of competition, and, therefore, if given the time to do so can correct them.

The various facilities of the institution can be used to promote business and need constant review. Improved and attractive office quarters with eye appeal are becoming increasingly important. Every manager would do well to take a look at the office of his competitors in the financial field, or better yet, take note of the corner grocery or drug store, for in recent years considerable money has been spent by these businesses to provide more attractive quarters for the customers. A new or remodeled office has played a big part in stimulating the growth of many savings and loans.

The manager would be wise to pay attention also to the modernization of such office equipment as posting machines, bookkeeping machines, change makers and other various machines which speed up the operation at the windows and in the bookkeeping or accounting departments.

The provision of modern loan plans is another matter which requires the constant attention of the manager so that the institution will offer loan facilities which will take care of the financing needs of all borrowers.

Similarly, a broad savings plan does a lot to promote business. Seasonal savings schemes such as vacation, Christmas and other special purpose accounts should have the consideration of every manager.

And finally, additional services which provide the customers with money orders and the like, which he has been in the habit of obtaining from our competitors, are a fine means of business promotion.

PERSONNEL MANAGEMENT

The wise manager will provide proper supervision of the personnel program as it relates to the public. He should have his organization so perfected that each employee is assigned to the job for which he or she has the most ability. A good receptionist, for example, can play a big part in keeping customers satisfied, especially on peak days when it is necessary for them to wait for service.

An efficient telephone operator is one who not only answers the phone but has the ability to recognize the customer's voice. This builds a warm feeling for the institution and has a great deal of customer appeal. Your local telephone company will furnish a Training Manual which will simplify your problems in this respect.

Many customers are lost because the answers to their questions are given in an abrupt manner. There are always ways of saying "yes" or "no" which will keep the customer satisfied. The distribution of bulletins and reports of the institution's growth among the employees will provide them with the answers to questions which may come to them by phone or in over-the-counter conversation.

In addition to being responsible for the employment of capable personnel, the manager should also be the spark plug of enthusiasm in his organization. Every manager is enthusiastic at times, some for 30 minutes, others for 30 days. But the manager who is enthusiastic for 30 years is the most likely to build a large, sound institution which renders service to his town, city or community.

ADVERTISING DIRECTOR

Decisions as to the use of media and other details of the advertising program should be made by the manager. He should not, however, attempt to write copy or create the advertising as this is a highly specialized field of endeavor, for which he usually has not been trained. Furthermore, he is usually not familiar with the typical reactions of readers of advertising copy.

The manager, however, should be responsible for the employment of capable advertising talent and counsel. This may require considerable work in locating the right talent for good advertising guidance may not be found on the association's doorstep or even within the community where his institution operates.

PUBLIC RELATIONS

No business can be successful over a long period of years without enjoying the favorable opinion of the public. Therefore, good public relations is always one of the major problems of the savings and loan business. Public relations is good management. First of all, it

is an attitude of mind and one of the fundamental philosophies of management. It is the way the association's staff refers to the association when the staff member is away from the office, at home or talking with friends. It is the way they refer to the boss as either a "swell guy" or "that dirty so and so."

Savings and loan associations can perform their two important economic and social functions only if they meet the needs and wishes of the public. It is what the public needs and demands that counts. It is the duty of the manager, through a public relations program, to find out what the public wants and needs so that he may build his association's procedures, plans and policies to meet the public's demands.

The manager should have a public relations program that is so planned that the public will think well of the institution and want to do business with it. Whether the association's field is in a town of 2,000 or 2,000,000 population or whether it has much or very little competition, it certainly needs the good will of the public. The manager should know what the community as a whole needs and what the various groups that make up the community need. The public must know that it is easy to do business with the association—easy to save with it and easy to borrow from it.

The public wants convenience in location, parking facilities, branch operations, terminology and passbooks that it understands. The average person on the street is primarily interested only in one phase of operation of the institution. He or she is not interested in its charter, its history, its name or even its financial statement. The potential customer wants to know, "What can you do for me?"

A good public relations program starts with the manager. It is his duty to develop the public relations philosophy—the public relations attitude of mind—and to sell his philosophy and attitude to the board of directors and to the other officers and staff.

A business promotion program starts with the budget which must be approved by the board of directors. Therefore, a good manager will have the confidence of his board so that his recommendations for advertising and development will be accepted. How often do we, as managers meeting together at conventions and other meetings, hear one of the group make this remark about some particular item on the agenda, "I would like to do that but my board of directors will not permit it." If the manager does not have the ability to gain the confidence of his board of directors and sell them on a promotion idea I have often wondered how he can gain the confidence of the public whom the association is serving. It is, therefore, a confession of weakness in ability for a manager to make a remark of this kind. I have often wondered if these same managers leave that impression with their customers.

Leadership can be developed. A manager by becoming more active and more civic-minded can do much to develop his leadership as

well as to promote his institution. I have always been a strong believer in the theory that you can not sell people unless you see them. By taking an active part in civic affairs you are not only popularizing yourself but are also promoting your institution. Take note of the civic leaders in your community—the manufacturer, the merchant, the banker or lawyer—those who are taking a keen interest in the community's welfare. Most of them are well known and highly respected, successful citizens. Too many of our savings and loan managers feel that their interest in life is only in the welfare of their own institution.

Our U. S. League has from time to time furnished us with information on how little of the savings and loan business is known to the average man on the street. The manager's relationship and activity in civic life such as the local chamber of commerce or board of trade can play a big part in publicizing his own institution and thereby gain the confidence of the public which is so vital in the management of a financial institution. After all, if you are conducting your business in a town that is aggressive and growing and thriving, isn't your thrift and home-financing institution benefiting by the growth and prosperity of that community?

The manager should also be active in civic drives of a charitable nature such as hospital drives, the community chest and the Red Cross. In fact, the manager should be interested in any promotional idea which will better the community in which his institution is operating. He should also take an active interest in those organizations which relate directly to his institution's operations such as the home builders' association and the board of realtors. If he will spend his time working for such organizations he will broaden his acquaintance with the realtors and builders, which is certain to benefit the savings association.

I realize that many of you managers feel that I am recommending that the manager participate in too many activities outside his own realm of business. No doubt you feel a lot like the colored boy who was convicted of stealing chickens. After the judge sentenced him, he asked, "John, before they take you away, I would like to ask how in the world you were able to steal chickens from this farmer when the yard was surrounded by an electrified fence, a vicious watchdog guarded the place and there were padlocks on all doors?"

The colored boy studied for a few minutes and, looking at the judge, said: "Judge, you all stick to your own business."

Our business is one of service; all we have to sell is service to the investor and borrower. This requires a readiness on the part of top management to start the ball rolling and to inspire enthusiasm in the institution's promotion and public relations activities. Man is an imitative creature and whoever is foremost leads the herd.

LOANS TO MINORITY GROUPS

By ROBERT R. TAYLOR, *Secretary*

Illinois Federal Savings and Loan Association

Chicago, Illinois

The minority problem in America has great and immediate importance. My topic—"Financing Homes for Minority Families"—is a component of an over-all problem, namely, adequate homes for minorities.

The hard core of this question is the fundamental issue of minority status in the United States. It is especially timely, when the traditional status of minorities in America is undergoing critical re-examination, that your program committee should schedule this discussion. We are—as a people—committed to democracy and freedom for all citizens. The application of moral principles should have long ago achieved a solution to minority problems.

However, at this critical period in history when we are marshalling all forces in the free world for survival, it is vital that treatment of minorities at home be consistent with our great democratic and Christian ideals.

America can no longer afford a system which condemns 15,000,000 people to second-class citizenship. We cannot afford the spiritual, intellectual and physical losses caused by racial discrimination. We need now and shall need in the future the total strength of all men and women in the nation. Clearly, the point of no return in minority and racial discrimination is at hand.

Let us not forget that the imperfections of our democracy are mirrored to a world in which we are attempting to win the minds of men. The image of America with a group of its citizens segregated and submerged solely because of race does not tell an altogether convincing story of the attributes of democracy.

The 15,000,000 Negroes in the United States constitute the largest minority group in the nation. It is upon these people that I wish to focus your thinking. It is encouraging to report to you that important gains in human relations have been made since my address to this convention on this topic four years ago. You, officers and policy-makers of savings and loan associations with \$20 billion of assets, possess a power which can improve housing for minorities and benefit yourselves, your community and your country.

Recent data concerning Negro families shows why it is important for the savings and loan business to adopt a progressive lending policy toward qualified and responsible minority groups. The redistribution of Negroes in the United States during the last 30 years constitutes one of the greatest migrations in history. Today, there are almost twice as many Negroes living in cities as in rural areas. The 1950

census figures reveal that 9,000,000 Negroes are urban residents as compared to the 5,750,000 who are rural dwellers.

Most of the 15% increase in the Negro population in the last decade has occurred in urban areas. For example, the Negro population of the North Central States since 1940 has increased 47%; in the North-eastern States it has expanded 44.2%; and in the West, 74%. In the South, today, there are almost as many Negroes in urban as in rural communities: 4,788,000 in industrial centers and 5,421,000 in rural districts.

Beginning with World War I and reinforced by World War II, Negroes—both men and women, skilled and unskilled—have secured a foothold in industry. Today, they are part and parcel of the labor force in our sprawling steel mills, in packing houses, in auto production, construction, railroads, shipyards and, recently, in machinery and electronic plants. In the last ten years large segments of the Negro population have been elevated to middle-income status. Again, the 1950 census report stated, and I quote: "From 1940 to 1950, there were significant increases in the proportion of Negro workers engaged in professional, clerical and sales work, and in skilled factory occupations."

This rise of the Negro worker in industry, business and the professions has written a great chapter in the economic development of the Negro people. Between 1939 and 1949, the median income for Negroes increased 192% as contrasted with an increase of 146% for whites. In 1950, the per capita income of Negro Americans was just as large as the per capita of all Canadians. The Negro can no longer be thought of in stereotyped terms. He is rapidly becoming an integral part of American culture.

Deep in the heart of the Negro is the American tradition of home-ownership. According to Associated Publishers, Inc., home-ownership by Negroes since 1940 has risen 129% as compared with an increase among all other Americans of 81%. There is, however, still a tremendous demand for homes and, thus, for home mortgages among Negro families in the middle-income bracket. The production of housing available to minority families has lagged far behind the need in every urban center.

There is an abundance of evidence from experienced sources throughout the country to prove to the most careful lending executive that when extended an opportunity to buy a good home in an attractive neighborhood on reasonable terms, the qualified Negro family will honor its obligations and maintain property with an amazingly high degree of fidelity. My own experience in developing programs of home-ownership and rental housing is duplicated by the records of the FHA, financial institutions and builders throughout the U. S.

In 1929, I participated in the development of one of the first large-scale, privately financed housing developments in the nation. The Michigan Boulevard Garden Apartments, financed by the late Julius Rosenwald, houses almost 500 middle-income families, most of whom

are Negroes. The project covers an entire city block on the South Side of Chicago. The current rental income amounts to \$425,000 a year, and for over a period of 23 years, including those of the depression, the average loss on bad debts has been less than 3/10 of 1%.

In addition, I have helped develop \$20,000,000 worth of privately owned rental housing projects in Chicago, Washington and Baltimore. The financial and social record of each of these projects has been excellent. This is further testimony to the financial and social responsibility of an ever-increasing number of Negro families.

Our Illinois Federal Savings and Loan Association, of which I am secretary, was organized 17 years ago and extends 90% of its loans to help Negro families purchase homes. Illinois Federal has loaned millions of dollars to nearly 1,500 families and has achieved the enviable record of having taken over only one home by foreclosure during its entire period of operation. The excellent experience of another savings and loan association, the largest in Chicago and the third largest in the country, has been similar. The First Federal Savings and Loan Association of Chicago has made loans to Negro families since its establishment in 1934. Chairman of the Board Morton Bodfish has declared: "Negro homeowners have made just as good a record with us as any other home buyers. We do not regard Negro loan applicants as different from any other customer. This policy has proven highly successful."

Experience of our clients at Illinois Federal typify their drive for home-ownership and contain elements of real drama. Let me tell you about loan number 1382, one Walter S. Johnson. From 1932 to 1935, Mr. Johnson was on relief in the city of Chicago. In 1936, he was employed by the Chicago Transit Company. By 1940, he had saved \$2,500 and began a small grocery business. In 1949, he had saved \$9,000 and contracted to buy a three-apartment building for \$18,000 with a \$9,000 down-payment. He borrowed \$9,000 from the Illinois Federal; the balance due to date is \$4,500. Here is a man who has fought his way from the relief rolls of the '30s and, today, is well on the way to a debt-free home.

In early 1945, I spoke at a small church about the program of the Illinois Federal Savings and Loan Association and invited the congregation to open savings accounts by starting with as little as one dollar.

Otho Randall walked in the following morning with one dollar and opened a savings account. He had a wife and five children and operated a crane at the International Harvester Company. This man saved from one to ten dollars every week for six years. By January 1951, he had accumulated sufficient savings to make a down-payment on a modest but attractive six-room house. He has lived in his new home two years, and every single payment of interest, principal, taxes and insurance has been met punctually.

Hundreds of similar experiences can be drawn from our files which

would emphasize my central point that the Negro is anxious to own his own home and is faithful to his obligations.

The annual income of Negroes in the United States has recently reached \$13,000,000,000 a year. This is no inconsiderable sum. It exceeds, for example, the \$12,000,000,000 in wages earned by all factory workers in 70 leading cities in the country.

The savings and loan business should not overlook this or other minority markets. Applying the criteria of sound lending policies to qualified minority families, you will find them—as I and others have found them—responsible citizens. Those of you who already employ nondiscriminatory lending policies in your associations should be congratulated.

Those of you who have restricted your mortgage loans to certain ethnic groups are now alerted to the progress which has been made by minority families in the last generation and decade. I strongly recommend that you adopt, in consideration of your own best business interests, more enlightened lending policies. Not only will such action be in line with a safe and wise investment policy, it will also be a demonstration of your faith in these people and, therefore, will strengthen the fibre of our own country by contributing to the fullest development of all citizens.

This achievement will come at a critical period in history when the world must decide between blind distrust, on the one hand, or co-operation and progress, on the other. America will take the enlightened path.

PERSONNEL PROBLEMS

By MARION M. HEWELL, *President*

Fidelity Federal Savings and Loan Association

Greenville, South Carolina

As you all know or have heard, the U. S. League's first Personnel Clinic earlier this fall was exceptionally well attended and most informative and interesting.

One attendant at that clinic advanced the opinion that the number-one problem in personnel was marriage and new babies. I doubt that there is anything we can do about either, for the affairs of cupid and of the stork have been going on for many, many more years than the savings and loan business. Actually, we ought to be happy to see our employees having families who are going to be our customers in the future. This matter of replacements, particularly among the girls, is a very costly thing to us.

While the Institute goes a long way to answer the problem of proper training, each association has to do a certain amount of on-the-job training of its employees.

Your and my presence here attests to the importance of personnel. While we are in New York today, anywhere from one or two to 100 folks are carrying on in our place back home and doing a very excellent job in our absence. This business is no longer a one-man operation as it was years ago when Seymour Dexter started the U. S. League.

Even at home, as our associations grow in size and become great financial institutions, fewer and fewer customers see you when they come into the office. Probably only 10% of your customers talk to you managers; the rest talk with the employees and get their impressions of your institutions from the attitude, tact, courtesy, kindness and interest of the employees whom they meet. This fact makes the hiring and training of the right kind of employee a problem of no small proportions.

I think the reason so many of us get the wrong idea about personnel is that we are using too big words in considering this problem. Personnel relations is simply the relationship of you to the people in your office—of two people getting along together. It is not a technical thing; it is just the principle you put into practice every time you contact anybody. I wish that we could get away from the term "personnel" and talk about "human relations," and that we would talk to Susie Smith and Sammy Jones in a friendly, interested way about her or his future rather than "communicate" with them.

We have to understand what an employee wants before we can attack the problem. An employee in any business wants fair pay. We emphasize the fact that we want above-average employees, and yet some of us try to get above-average employees by paying below-average compensation. That simply won't work.

An employee also wants fair leadership from you and from me. He wants a leader in whom he can have confidence, whom he can respect, who will develop his enthusiasm and to whom he can go with his problems.

The worth-while employee wants security in his job. He wants some real incentives. He wants recognition for the progress he makes.

On the other hand, what do you want from an employee? Well, you want to get a fair day's work for a fair day's pay. You expect loyalty from the people on your staff. You expect increasing efficiency. You expect initiative; you don't want a robot who has to be told everything to do. You want young folks with enthusiasm. Enthusiasm is something that we all need to emphasize more. Someone has said that sincerity on the job augmented by knowledge gained from experience creates enthusiasm. It is true of hobbyists and should be the way to inspire enthusiasm on the job.

In thinking about the type of employees we want, it also might be well to think about the kind of jobs we want to fill and the qualifications needed to fill the jobs properly. I suggest a written analysis of all the jobs in your associations will be most helpful in this regard. Many of the large institutions already have done this. We also need

to be more careful in our interviews of prospective employees so that we may put the right people in the jobs for which they are best qualified.

Once an employee is hired, let's be thoughtful in our criticism of him or her, remembering that nobody is perfect. Someone yesterday suggested that the most effective way to criticize an employee is by using a criticism sandwich. In other words, when an employee does something that has to be corrected he almost always has done something that is deserving of praise. Start out by complimenting the employee on what he or she is doing well. Then go ahead with the constructive criticism and close the interview with another pat on the back. That employee will go out with a new sense of loyalty, enthusiasm and increased efficiency.

I should like to see the principle of participating in civic affairs carried down through the staffs of all our savings and loans. In our small organization there are four members of civic clubs—two boys and two girls. We pay their dues to encourage participation in those organizations. This creates in the employees a new sense of importance and of being a part of the leadership in the community. That should be important to you managers, for we are not always going to be here running our institutions and we do have a responsibility for building new leadership. This type of community participation isn't altogether altruistic because I have seen accounts come in from members of those organizations.

Whose is the responsibility for personnel policies in our institutions? It isn't efficient for an organization of less than 75 employees to have a personnel director, which means that in most of our associations personnel will be only one of an individual's several responsibilities. I am convinced that some officer should be in charge of this important phase of operations and personally favor the managing officer.

He is the one who knows the policies that the institution is going to pursue and can make an enthusiastic team out of the group. I like to think of myself not as the boss but rather as the coach of our team. Lawrence Appley, President of the American Management Association, has said that "management is the development of people and not the direction of things." You might take that thought home with you.

In closing I want to tell you a brief story. An American industrialist who had been well-known for his efforts in personnel relations had been invited to an international congress in London. Just before he left, a personnel problem came up which worried him greatly. On the ship crossing the Atlantic, he ran into a friend whom he told about the problem. This friend said: "John, I want to ask you one question. I want you to answer it immediately—don't think about it. Do you like your folks?" It appeared that after all of the efforts this industrialist had made in personnel relations here was a question he couldn't

answer. He said so. His friend then advised, "When you get back home, like them and everything will be all right."

SAVINGS ASSOCIATION MANAGEMENT

By GERRIT VANDER ENDE, *President*

Pacific First Federal Savings and Loan Association

Tacoma, Washington

A savings association manager is a man of many talents. First of all, I think he should be a real human being—human in his participation in community projects, in his attitude to the customer and in his attitude to the people who are associated with him in the management of the association.

It has been my good fortune to visit many associations on the West Coast, and out our way the savings and loan managers do an outstanding job in community service. Without exception, they are interested in their chambers of commerce, they belong to one of the service clubs, they are solicitors for the community chest, Red Cross and so forth. It is their conviction that a savings and loan institution is a home institution and, as such, a part of the city. Most managers throughout the business are following this practice. Those who do not are in the minority, and if they are smart, they will begin to do so very shortly.

Perhaps even more important than participation in community service is the need for managers to understand their customers' wants because, in the final analysis, our customers determine how large and how successful our associations will be. It is well for the manager to look, from time to time, at the office from the customer's point of view as to its appointments and arrangements. Let him ask himself: "Is it pleasant?"—"Does it present an atmosphere of friendliness?"—"Would I like to come in here and do business with this particular financial institution?" Honest answers to these questions will suggest a few changes that will provide a better approach to the customer. After all, unless customers come to us and return we aren't going to have very much of a business.

In considering the human approach to personnel, I hesitate to say anything more as the subject has been so adequately covered. I should merely like to stress the importance of doing everything we can for our employees so that they are happy in their work.

It seems likely that all of us are going to find that we shall have to pay higher dividends in order to continue the flow of savings to our institutions. To do this I think a manager will have to mechanize his business to reduce expenses. That can be done by small associations as well as large for every business is mechanized these days. Technological advances have done wonders for business and industry,

generally. Why shouldn't they do wonders for the savings and loan business? It is essential that we accept mechanization wherever we can.

We ought to simplify our routine procedures. Let's go back to our offices, take a look at what is happening there, and say to ourselves, "How is this procedure working? Can it be simplified and improved?" There is no need or time to go into the details of this suggestion here. That would take too long. But it is a problem to be faced in the coming year.

I think the making of decisions is an important part of the management function in every organization. Fortified by all the ideas and information which have been given us here let's not be afraid to make up our minds after necessary deliberation. Then let's stick to our decisions.

Another significant function of management is getting things done. When someone talks to you, as manager, about an improvement which has merit, ask him when it can be put into operation. If an employee suggests a change that requires study, ask him or her to gather the necessary data and report back to you on the probable effectiveness of the idea.

If you will permit me to be personal, I have one folder that is under lock and key. In it are notes on the little conversations that I have with the employees about what they think should be done that isn't being done, what they think I should do and how they think we can make the association pleasanter. Whenever a good idea is advanced, I say, "Now, you explore that and come back to me in two months." Invariably the person doesn't come back. But the little memo is there so I give this individual a call asking for a report. He is invariably embarrassed. There is no reason why he should be, for often there is no follow-up on things like this.

I think one of the final functions of management is to see that the good suggestions get into office procedure. There is nothing more discouraging to a board of directors when an idea is brought up which sounds very good to find months later that nothing has been done about it. Getting things done is perhaps as important as anything else that a manager can do.

Finally, I call attention to one thing I think management should not do. At no time should management become complacent, satisfied, or indifferent to the problems that face it.

Those of us who have smoothly running organizations with savings coming in satisfactorily and these funds being loaned out as rapidly as they come in have every reason to be satisfied, but let's not be satisfied. Let's take a look at our business and see if we can improve it by improving personnel policies, extending advertising, or modernizing our offices. Let's never become complacent, and let's never become satisfied. I like to remind myself occasionally that the biggest thing in this business is the job yet to be done.

REMARKS OF CONVENTION GUESTS

AMERICAN INSPIRATION TO THE OWN-HOME MOVEMENT IN AUSTRIA AND ELSEWHERE ON THE CONTINENT

WILHELM FLATZ, *Salzburg, Austria*

Mr. President, ladies and gentlemen, old friends and new ones, I am so happy that I can be over here with you and that I can deliver the following message in person rather than having it read to you along with all the other greetings:

*To the Diamond Jubilee Convention of the
United States Savings and Loan League*

We are happy to be able to offer you our message of good will, our jubilee wishes and our greetings on this occasion by a personal envoy.

Our message is to express the high esteem in which we hold the greatest savings and loan movement of the world and also to convey the deep sense of gratitude which Austria feels for American help so often and so generously given.

Our good wishes for the 60th birthday of your League embrace the wish for the continued expansion of the own-home movement in America, the wish for the steady growth of the spirit of thrift which has made your country so strong and the wish that your League may lead the savings and loan movement in your country from strength to strength.

Our greetings go out from thrifty home-builders in Austria to the impressive group of members of your associations. They go out also from all Austrian Building Societies to the many thousand savings and loan associations in the United States.

And they go to all those who have visited us at any time in our home country, especially the delegates to the Fifth International Building Societies Congress of 1935 in Salzburg and Vienna.

Above all we extend our greetings to the president of the International Union of Building Societies and Savings and Loan Associations, Mr. Morton Bodfish, and last, but not least, to Mrs. Marie Savona, the American delegate to the Silver Jubilee of the Continental building and loan movement.

The visit of our delegate is our first return visit, and we hope to see many of you often with us again so that the friendly ties between our countries may bind us ever tighter.

Signed by Managing Directors of
Union of Austrian Building Societies
Building Society GdF Wuestenrot
Building Society of the Austrian Peoples Banks
"Dein Heim," Vienna
General Building Society

In considering the inspiration for our own-home movement which came from America, I have to begin over a hundred years ago. It was in 1848 that we had the industrial revolution over there, and many of you have told me that your grandfathers left Germany or Austria or the Continent during that critical era. One of those who left about that time was a master-tailor who settled very close to here in Newark, N. J.

Last year, when we celebrated the centenary of the co-operative movement of the co-operative banks in Austria I saw letters from this tailor indicating that he felt the best tool to overcome the crisis in Austria of a century ago would be something like the savings and loan association in Newark of which he was a member. He even included \$200 to be used in starting such an institution.

Those letters were the inspiration which helped to found the co-operative banking system in Austria, but the founders never used his money. They actually repaid it to him. Later when our first building and loan associations were founded, we operated under the co-operative banking law. These institutions, of which there are 200 in operation, have always supported the Austrian savings and loan associations and after the last war loaned them 20,000,000 Austrian shillings.

The beginning of the first savings and loan association on the Continent in those difficult days after World War I also has an interesting story behind it which parallels the history of your own movement. There was living in Wustenrot, Germany, an old man who wrote two booklets: *The Book of Happiness* and *From Poverty to Prosperity*. In appearance and content they were so like *Poor Richard's Almanac* that one would think they had been inspired by your patron saint, Benjamin Franklin. In these booklets, the author suggested the Society of Friends as a name for the organization. He didn't know of the Quakers, but he chose the same words that Benjamin Franklin would have used. We find them in the name of the first German association—Bausparkasse Gemeinschaft der Freunde Wustenrot—which soon had a branch in Austria and is the institution with which I am connected. From this beginning the movement spread to France, Belgium, the Netherlands, Czechoslovakia, Hungary, Jugoslavia, Italy, Spain and Turkey.

A great number of people joined the Society of Friends of Wustenrot, but they wished to build homes, and out of their pooled savings all sorts of schemes of allotment were developed. Those who were chosen were able to build their homes first and the others had to wait. This almanac writer did not know that similar organizations had been established many years before in both England and the United States. In fact he planned to export the idea to America, and when he wrote a kind cousin about the idea that man sent him a dollar, which I have seen on display over his desk, to be invested.

Not long after this "society of friends" was established, the organizers heard rumors of these similar institutions in both England

and the United States and contacted their leaders by letter. I joined the movement about the same time that Mr. Bodfish assumed the direction of your United States Savings and Loan League and we got to know each other by letter. We also received replies from Sir Harold Bellman and Mr. George Franey of England.

In the exchange of letters, we learned that institutions in both these countries thought it was not advisable to have as members of our society only those who wished to become borrowers. But it was Mr. Henry Rosenthal of Cincinnati who first came to us, in person, to explain in German the need for "pure" savers and not only home savers. One of the first savings books in my society was issued to Mr. Rosenthal. It was the pattern for the opening of a great number of savings accounts. We were later able to grant loans without a waiting period to many of these "pure" savers who had accumulated 30% of the value of the houses they proposed to purchase or build, and these accounts were one of the reasons that the savings and loan associations were able to stand on their two legs during the great financial crisis of the late '20's which caused many of our banks to go to the ground. The inspiration for them came from America and England.

At the time that we were experiencing the financial crisis after World War I, Mr. Rosenthal wrote a book entitled *The Way Out*. In the last chapter he wrote as follows: "America is made up of all sorts of nationalities. These people have emigrated from their respective countries and are somewhat indebted to their mother-countries for a certain amount of educational and cultural development. Prior to the World War, it was mainly through the combined savings of Europeans that America was able to finance the building of railroads and industries. . . . Today Europe is in dire need of funds, and one of the most acute problems is that of proper housing. Here is our opportunity to repay in some measure." He then went on to suggest the foundation of an international home loan bank.

At the 1933 International Congress in London, where I spoke on home-ownership and international relationships, I quoted the above sentences. Thereupon, Mr. Rosenthal, who was present, proposed the appointment of a committee to study the possibilities of the foundation of such an international bank. By the time of the Fifth International Congress in 1935, of which I was the Honorary Secretary, this committee had already died due to the tension and unrest in Europe, and it was not possible to think of furthering this proposal at that time. At that Congress there was a good delegation from America which included Messrs. Cellarius, James, Baltz and Bodfish, and we were happy to welcome them to Salzburg.

During World War II, 14,000,000 homes were destroyed in Europe, and when it was over many of our Austrian savings and loan as-

sociations had lost all their assets. The comeback, however, of the business demonstrates the appeal which the savings and loan idea has for my countrymen. Our associations now have total assets of 120,000,000 Austrian shillings, which is approximately \$5,000,000. This growth has been accomplished in spite of the fact that we operate under very hard conditions including building costs which are 11 times their pre-World War II levels.

In 1949 when we celebrated the 25th jubilee of the movement on the Continent, we were delighted to have a representative of the United States League with us—Mrs. Marie Savona. She started right then talking with the Mutual Security Administration and with our Austrian government officials about an experiment to back the Austrian own-home movement. Upon her return to this country, Mr. Bodfish and Miss Ewalt, of your U. S. League staff, worked with her in urging the Mutual Security Administration to make some funds available to our Austrian building societies. The experiment has been working well, and under it our hopeful homeowners are able to obtain 20% of the value of their house, which enables them to start construction much earlier than if they had to wait to accumulate that fund of savings.

With the help of these funds, my society has been able to finance 2,000 homes since the war and the rest of the Austrian societies have financed a like number. As soon as a member is able to move into one of these homes which has been made partially possible by the use of American funds, we have a celebration which calls the attention of the townspeople to the part the Mutual Security Administration funds have played in the building of the house.

The funds earmarked for this experiment have been exhausted, but the Mutual Security Administration has indicated that it will continue the operation. When I visited that agency in Washington last week, I inquired of the people I met if they felt that consideration of an international home loan bank was premature, and they said, "Not at all. There are already plans in discussion in many circles, and the time would be ripe for such a plan." After all we now have a world bank, a united army, a European army, an Atlantic Pact, an organization for European economic co-operation and an international monetary fund.

I welcome this opportunity to suggest the possibility of an international world bank to you and would like to have you discuss with me your ideas of how it might be accomplished. You have this year celebrated the 20th anniversary of the establishment of your own Federal Home Loan Bank System and should have some convictions as to how the principle could be adapted on an international level.

I noticed at your Five-minute Speech Contest the other day that those who carried away the silver cups had rhymes at the close of their speeches, and so I have this morning written one for you:

Homeowner Atlantic Pact

Let's build a bridge of hearts and homes
From skyscrapers to ancient domes;
Let's turn the troubled world between
Into a happy village green—
A world united in brotherhood
In common work for the common good.

GREETINGS FROM WEST GERMANY

DR. HERMANN SCHUON

Ludwigsburg, Germany

(as Translated by Herr Wilhelm Flatz)

It is a great honor for me to represent the German savings and loan institutions at your convention. I am greatly moved that I can be only spiritually with those noble personalities, Miss Rae, Mr. Cellarius and Mr. Rosenthal, and am sad that they are no longer with us.

I also welcome the opportunity to shake hands with your president, Mr. Hazen, who was seated next to me at the great celebration in Philadelphia in 1931. That was a time of great crisis in Germany, and we had no imagination of what was still ahead of us. The German movement at that time was only seven years old, but I was able to report that we had overcome the fundamental difficulties by your standards, by your inspiration and by your experience.

From 1933 through 1945 was a difficult time for the German movement. We often thought that savings and loan associations in our country might be lost forever. Only your idealism and the faithfulness of all our own members saved the movement in these hard times.

When I started to work again—after 12 years of interruption—with my savings and loan which had been not only the first to be organized in Germany but was also the one from which the entire movement on the Continent stemmed, I found great chaos. We did not lose heart. From 1948 through 1951, more than a billion marks were saved with the German savings and loan associations. Much of this was used for building homes, and the German associations accounted for a third of all building during those years in Germany.

Even during the critical year of 1951, the savings and loan associations in my country continued their progress without interruption. They now have savings contracts in the amount of seven billion marks, and close to a third of this amount (2,700,000,000 marks) is held by my institution. I am happy to be able to give you, in person, such a favorable report of our progress.

I am also very happy that it is I who convey the greetings and good wishes of all the German savings and loan associations to your 60th Annual Meeting and Diamond Jubilee. With admiration, we commend your great achievement, and, with great joy, we partici-

pate in your Jubilee. We wish you continued progress and success, and we earnestly hope that the friendship which we have honored so deeply in the past will be continued.

I cannot conclude this greeting without thanking the United States for all the help that has come to us in Germany. Without this help Germany would not have been able to send delegates to your meeting. Without this help, I would not have been able to stand here and speak with you this morning.

It is my earnest hope that your country will remain as deeply Christian and as deeply democratic as it has been in the past. I hope that you will remain the guardians of liberty and that you will be successful in your fight for freedom in which all people of good will gratefully co-operate.

COMMUNICATIONS

Ben H. Hazen, President,
United States Savings and Loan League,
Hotel Statler,
New York, New York.

On behalf of the council and all members of The Building Societies Association I send to you and all representatives cordial greetings and good wishes for a most successful convention. We congratulate your league most heartily on completing 60 years of valuable service to the men and women of your great country, and we wish you and the movement which you serve every success in the future.

HUBERT NEWTON, *Chairman,*
The Building Societies Association
London, England, and
General Manager and Secretary,
Leek and Moorlands Building Society,
Leek, Staffordshire, England

Ben H. Hazen, President,
United States Savings and Loan League,
New York, New York.

Your 60th Annual Convention is, of course, a very definite hallmark in the history of the savings and loan league. May I express the hope that your proceedings will be most successful and happy in every way and of assistance and benefit not only to savings and loan executives but to the much wider circle of members.

FRANCIS E. LUMB, *Deputy Chairman,*
Council of Building Societies Association,
London, England, and
General Manager,
Bradford Equitable Building Society,
Bradford, England

United States Savings and Loan League,
from Members of the Council of
The Building Societies Association.

At this the Diamond Jubilee of your association, the president, The Rt. Hon. Lord Inverclyde, the vice president, The Rt. Hon. Lord Alness, the trustees and directors of The Scottish Amicable Building

Society, Edinburgh, Scotland, send greetings to all associated with your league and to all attending its annual convention. The President-elect of the United States being a freeman of Scotland's beloved capital we feel the bond between our two countries is stronger than ever. In sending our cordial greetings and congratulations we also send best wishes. We re-affirm our joint interest with you in home-ownership and the savings movement. Greatly regret that currency restrictions still prevent my joining you at convention.

WILLIAM S. ALLISON, *Chairman, Board of Directors,*
Scottish Amicable Building Society,
Edinburgh, Scotland

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

Hearty congratulations on the Jubilee of your league. Best wishes for a most successful convention and greetings to you and all my friends.

SIR HAROLD BELLMAN, *Chairman, Board of Directors,*
Abbey National Building Society,
London, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

Kindly convey to the president and to the vice president and accept for yourself (Morton Bodfish) my cordial thanks and my best wishes for a very successful convention and for the continued progress and prosperity of all associations linked with the United Savings and Loan League.

F. BENTLEY, *General Manager,*
Halifax Building Society,
Halifax, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

Please convey our thanks to your president and vice president. Good wishes for a successful convention.

H. COLLINSON, *Secretary,*
Derbyshire Building Society,
Derby, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I hope you will have a successful convention, and take this opportunity of sending to you my very good wishes.

SIR CHARLES DAVIES, *General Manager,*
Leeds Permanent Building Society,
Leeds, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I trust you will have a successful and worthwhile convention.

ERIC A. DUDENEY, *Secretary,*
Brighton, Hove & Preston Building Society,
Brighton, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

My colleagues join me in sending you good wishes for a most successful meeting.

C. JOHN DUNHAM, *Director,*
Co-operative Permanent Building Society,
Bloomsbury Way, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I hope you have a good attendance and a successful and happy convention.

LOUIS GAUGHAN, *General Manager and Secretary,*
Borough Building Society,
Burnley, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I hope that you may have a successful and pleasurable conference.

ALEX H. GOODMAN, *Secretary,*
Western Counties Building Society,
Bideford, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I hope you will have a successful meeting.

S. W. HANSCOMBE, *Manager*,
Liverpool Investment Building Society,
Liverpool, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I trust that you will have an eminently successful conference and that the delegates will derive benefit from their important deliberations.

AVERY HORNSBY, *Secretary*,
Sunderland Working Men's Building Society,
Sunderland, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I do wish your 60th Annual Convention all success when it takes place in November. I am sure that the occasion, representing as it does, your Diamond Jubilee will indeed be a memorable one.

ALEXANDER MEIKLE, *General Manager*,
Woolwich Equitable Building Society,
London, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

With best wishes for a successful convention.

J. R. MILLICAN, *General Manager*,
Cheltenham & Gloucester Building Society,
Cheltenham, England

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

Warmest greetings and best wishes for the greatest success in all your deliberations.

WALLACE G. POOLEY, *General Secretary*,
Association of Co-operative Building Societies,
Sydney, Australia

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

Thank you very much for your cordial invitation to Messrs. Evers and van Vliet and me to attend the congress of your League. We all regret very much that we have not the occasion to come. However, we watch your dilemmas and your achievements, alike, with interest. Our best wishes for a successful meeting and cordial greetings to all.

A. SCHRIJVERS, *Secretary*,
Vakgroep Bouwkassen,
Amsterdam, Holland

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I wish you good luck with the convention and ask you to present my regrets to your president and to the members of the council.

E. F. BRIEVEN, *Director*,
N.V. Nationale Hypotheekkas,
Brussels, Belgium

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I want to express to you, to the members of your board and to all the members of your League my regret not to be able to attend your 60th convention to which you so kindly invited me. I am sure it will meet the same success as the previous ones and am wishing you and your members all the best.

J. TOURNAIRE,
Caisse Hypothecaire de Credit,
Paris, France

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I was instructed to thank you for the invitation and to say that the Society will endeavor, if possible, to send a delegate to the 60th Annual Convention. If, however, this proves impossible, my directors trust that the convention will be a success.

ALLAN C. GEDDES, *Secretary*,
Saint Ann Benefit Building Society,
Jamaica, B.W.I.

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

My directors wish me on their behalf to thank you, Mr. Hazen and Mr. Clements for your kind invitation and to convey their greetings and good wishes too.

E. KARL RICHARDS, *Secretary,*
Victorial Mutual Building Society,
Kingston, Jamaica, B.W.I.

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I want you to accept my sincere appreciation of your thoughtfulness, and I kindly request that you convey my gratefulness and that of the members of my board of directors also to the president and the vice president of the League for their courtesy.

EDUARDO A. ZAMBRANO,
Credito Provincial Hipotecario, S.A.,
Monterrey, Mexico

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

Please accept on behalf of this association of New Zealand Societies most cordial greetings to your convention and best wishes for the most successful outcome for your deliberations in the interests of the encouragement of thrift and home-ownership, the movement in which we share a mutual interest.

D. G. COMMONS, *President,*
New Zealand Building Societies
Association,
Wellington, New Zealand

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

We much appreciate the invitation to attend your convention. The opportunity of meeting representatives of your associations and of following the proceedings of the convention would have been of great interest and value to us.

Thanking you again for your kindness, we beg you to express our

gratefulness to the president of your League, Mr. Ben H. Hazen, and your vice president, Mr. Charles L. Clements.

CENTRALFORENINGEN FOR NORGES

SPAREBANKER

(*Central Association of the Savings*
Banks of Norway),

Oslo, Norway

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

Please convey to the president and the convention this Society's warmest felicitations, and I will look forward with interest to a report of your deliberations if and when available.

L. STEVEN, *Secretary,*
Equitable Building Society,
Launceston, Tasmania

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I am sure that the convention will be of great interest to all who will be privileged to attend, apart from the fact that it will be an historical event. I must take this opportunity of wishing it the greatest measure of success.

Will you please convey these sentiments to the president and thank him also for joining with you in your kind invitation.

J. F. AGARD,
Trinidad Building and Loan Association,
Trinidad, B.W.I.

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

We appreciate very much your fine gesture of the kind invitation to your 60th Annual Convention and extend to you our best wishes.

TURKIYE EMLAK KREDI BANKASI
(*Real Estate Credit Bank of Turkey*),
Ankara, Turkey

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

I regret not being able to co-operate with some topic for your An-

nual Convention which, nevertheless, has all my sympathy.

Please accept my best wishes for the success of your convention and thank you for your kind attention.

ERICO M. W. MOHRING,
Banco Transatlantico del Uruguay,
Montevideo, Uruguay

Morton Bodfish,
United States Savings and Loan League,
New York, New York.

The members of the savings and loan societies of Switzerland send their best greetings and congratulations for your 60th Annual Convention. The strength and the splendid development of your associations is an impressive model for the European movement.

JAKOB HASLI,
Basel, Switzerland

Ben H. Hazen,
United States Savings and Loan League,
New York, New York.

I regret that because of my work I cannot be present at the convention and hope I will be able next year to be with you all. My best compliment and wishes for the success of the 60th Annual Convention.

RAMON ORTIZ, *Vice President and*
General Manager,
Central de Ahorros, S.A.,
Madrid, Spain

Ben H. Hazen,
United States Savings and Loan League,
New York, New York.

On behalf of the president of the association of Building Societies of South Africa I write to convey to you our cordial greetings on the occasion of the 60th Annual Convention of your League and to extend our best wishes for a successful meeting.

We in this country continue to admire your splendid achievements in the encouragement of the principles of thrift and home-ownership in difficult times.

E. C. JENKINS, *Secretary,*
Association of Building Societies of
South Africa,
Johannesburg, South Africa

Ben H. Hazen,
United States Savings and Loan League,
New York, New York.

Unfortunately neither my colleagues nor I will be able to be present in person at the convention; nevertheless, we send you our best wishes for its success.

A. G. NORRIS, *Chairman,*
Rand Provident Building Society,
Johannesburg, South Africa