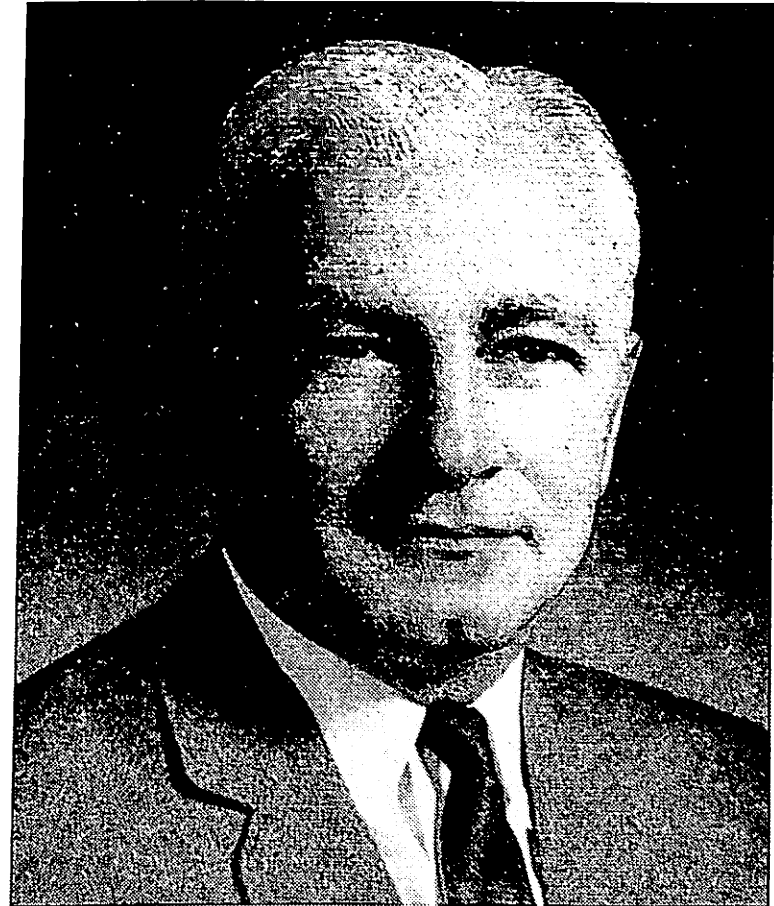


**SAVINGS AND LOAN
ANNALS 1961**

**United States Savings and Loan League
221 North La Salle Street
Chicago 1, Illinois**

Copyright 1962
by
United States Savings and Loan League



C. Edward Krapp
PRESIDENT

FOREWORD

NOTWITHSTANDING the fact that a U. S. League convention in Chicago finds savings association executives meeting over a week end, which in 1961 cut our General Sessions to two rather than the customary three, this volume of *THE ANNALS* is the largest since the current format was adopted more than a decade ago. This, of course, is a reflection of the increasing complexity that the successful operation of a rapidly growing savings and loan business demands.

I often wonder what my father's contemporaries in this business would think if they could see today's wide range of subjects that are discussed at the U. S. League's annual meetings. Most of these are on the specialized agenda of the various Topical Forums and Open Committee Meetings that are the "meat" of our convention programs in the challenging 1960s.

Surely the savings association managers who brought their institutions through the Great Depression of the '30s would be amazed to find the current generation of managers giving understanding consideration to such subjects as: the part associations are and should be playing in the urban renewal programs of their communities and in planning housing for the aged; how a budget of more than \$2 million will be spent in the Savings and Loan Foundation's cooperative advertising program, including nationwide television hookups; the U. S. Treasury's theories of government debt management; cooperation with Civil Defense authorities in working out plans for the protection of association records and personnel in the event of nuclear enemy attack; and the merits of "tab vs. tronics" accounting systems, when only a handful of them had even considered machine bookkeeping as recently as 25 years ago.

Also recounted in this volume are the U. S. League's legislative accomplishments in 1961 which provide for the strengthening of the FSLIC, for improvement in the procedure for electing FHLB directors and for broadened lending powers of federally chartered associations. Still unresolved, by virtue of the fact that the Congress did not enact a general tax law, is the ultimate outcome of our aggressive defense of our tax status.

Because many of the Topical Forums and Open Committee Meetings were held concurrently on two full days of the convention's duration, this complete report of all the open sessions affords each member manager the opportunity to review the discussions at sessions he could not attend. I commend it to you as worth-while reading.

C. ELWOOD KNAPP

BOARD OF DIRECTORS OF THE
UNITED STATES SAVINGS
AND LOAN LEAGUE

1960-1961

Officers

C. ELWOOD KNAPP, *President*. 217 N. Highland Ave., Pittsburgh 6, Pa.
M. L. DYE, *Vice President*. 78 S. Main St., Salt Lake City 1, Utah
NORMAN STRUNK, *Executive Vice President*. 221 N. La Salle St., Chicago 1, Ill.

Executive Committee

*District
Number*

1. ARTHUR J. BROCKWAY. 176 Temple St., New Haven 2, Conn.
 2. GEORGE L. BLISS. 441 Lexington Ave., New York 17, N. Y.
 3. GEORGE L. FUESSLER. 1204 State St., Erie 1, Pa.
 4. JULIUS W. ANDERSON. 304 N. Main St., Anderson, S. C.
 5. FRANCIS L. VESY. 153 Lincoln Way, E., Massillon, Ohio
 6. RALPH W. SEDGWICK. 2045 14th Ave., Vero Beach, Fla.
 7. ARTHUR G. SHIREMAN. . 216-218 W. Washington Ave., South Bend 1, Ind.
 8. ROBERT L. PALMER. 2nd Ave. & 2nd St., Pipestone, Minn.
 9. GEORGE S. METCALFE. 825 Locust St., St. Louis 1, Mo.
 10. LLOYD S. BOWLES. 1505 Elm St., Dallas 1, Tex.
 11. C. N. BLOOMFIELD. 212 W. 19th St., Cheyenne, Wyo.
 12. ROBERT R. SPRAGUE. 3245 Wilshire Blvd., Los Angeles 5, Calif.
- W. O. DuVALL, *Immediate Past President*
. 22 Marietta St., N.W., Atlanta 3, Ga.
HENRY A. BUBB, *Chairman, Legislative Committee*
. 534 Kansas Ave., Topeka, Kan.

Directors

ISAAC D. BAKER. 225 N. Norton Ave., Sylacauga, Ala.
H. K. HAMILTON JR. 125 Fifth Ave., Anchorage, Alaska
JOSEPH G. RICE. 30 W. Adams St., Phoenix, Ariz.
RAYMON LEDWIDGE. 723 Central Ave., Hot Springs, Ark.
RUSSELL W. BELL. 936 State St., Santa Barbara, Calif.
JOSEPH E. CLARKIN. 200 16th St., Denver 2, Colo.
WALES F. MEISINGER. 12 W. Main St., Waterbury 20, Conn.
WILLIAM A. WELSH. 909 Shipley St., Wilmington 99, Del.
RICHMOND H. GIBSON. 1415 Eye St., N.W., Washington 5, D. C.
GEORGE B. PRESTON. 218 Datura St., West Palm Beach, Fla.
GEORGE FESPERMAN. 600 Plant Ave., Waycross, Ga.

JOHN N. BAIRD.....	182-188 Merchant St., Honolulu 9, Hawaii
JOHN W. HEWITT.....	923 Idaho St., Boise, Idaho
C. ALAN WATSON.....	326 Missouri Ave., East St. Louis, Ill.
HARRY L. DOUGHTEN.....	Bank and Spring Sts., New Albany, Ind.
W. F. NUTT.....	700 Pierce St., Sioux City 1, Iowa
GEORGE B. DICUS.....	12 E. Second, Hutchinson, Kan.
WILBUR C. WILSON.....	249 W. Short St., Lexington, Ky.
IRVIN L. DUSSOM.....	300 Carondelet St., New Orleans 12, La.
ALBERT E. GRANT.....	561 Congress St., Portland 3, Me.
HOWARD H. WALSH.....	23 E. North Ave., Baltimore 2, Md.
LAWRENCE H. MARSTON.....	20 Exchange St., Malden 48, Mass.
ROLAND E. PARKER.....	126 W. Kearsley St., Flint, Mich.
C. A. NICKOLOFF.....	2015 Third Ave., E., Hibbing, Minn.
M. P. PAYMENT.....	210 N. Congress St., Jackson 5, Miss.
R. G. WYATT.....	Jefferson at Second, Lebanon, Mo.
JAMES G. HAVILAND.....	302 Missouri Ave., Deer Lodge, Mont.
MARVIN G. WELSTEAD.....	124 E. Fifth St., Fremont, Neb.
CHARLES LEE HORSEY JR.....	1200 E. Charleston Blvd., Las Vegas, Nev.
KARL E. DOWD.....	200 Main St., Nashua, N. H.
D. P. SAMMARCO.....	250 Valley Blvd., Wood-Ridge, N. J.
IRVIN A. MENGER.....	922 New York Ave., Alamogordo, N. M.
EUGENE M. MORTLOCK.....	1274 Avenue of the Americas, New York 20, N. Y.
J. L. SUTTLE JR.....	110 W. Marion St., Shelby, N. C.
A. R. BERGESEN.....	500 Second Ave., N., Fargo, N. D.
JOHN STAHL.....	33 N. Main St., Dayton 2, Ohio
GEORGE P. SELVIDGE JR.....	313 W. Broadway, Ardmore, Okla.
JOHN PLETSCH.....	2 E. Main St., Medford, Ore.
ALVIN J. STOEHR.....	501 Liberty Ave., Pittsburgh 22, Pa.
HORACE E. DAVILA.....	Ponce de Leon Ave., Stop 22½, Santurce, P. R.
PHILIP G. DORR.....	234 Washington St., Providence 1, R. I.
JOHN A. HARDIN.....	107 Hampton St., Rock Hill, S. C.
MRS. EDITH H. HAWLEY.....	109 1st Ave., S.E., Watertown, S. D.
HERBERT H. DUNKMAN.....	165 Madison Ave., Memphis, Tenn.
J. MAURICE SMITH.....	401 Navarro St., San Antonio 5, Tex.
CLARENCE TINGEY.....	44 S. Main St., Salt Lake City 1, Utah
HENRY M. BALDWIN.....	150 Bank St., Burlington, Vt.
HARRY MARLEY.....	306 Second St., S.W., Roanoke 11, Va.
BRUCE S. HARRIS.....	1214 Third Ave., Seattle 1, Wash.
ROBERT F. GRIFFITH.....	30 Twelfth St., Wheeling, W. Va.
IVAN A. EVENSON.....	400 Wisconsin Ave., Racine, Wis.
WARREN H. WOODWORTH.....	1941 E. A St., Torrington, Wyo.

Three Immediate Past Presidents

W. O. DUVAL.....	22 Marietta St., N.W., Atlanta 3, Ga.
C. R. MITCHELL.....	919 Walnut St., Kansas City 6, Mo.
JOSEPH HOLZKA.....	221 Richmond Ave., Staten Island 2, N. Y.

President, American Savings and Loan Institute

WALTER A. OBERS.....	5680 Wilshire Blvd., Los Angeles 54, Calif.
----------------------	---

TABLE OF CONTENTS

GENERAL SESSIONS

Events in Perspective, <i>C. Elwood Knapp</i>	3
The New Chairman Looks at the Board, <i>Joseph H. McMurray</i>	13
Report from Washington, <i>The Hon. Vance Hartke</i>	24
Current Monetary and Fiscal Policy, <i>Matt S. Szymczak</i>	32
Business and Real Estate Trends, <i>Arthur M. Weimer</i>	40
Communist Aggression and the Free World, <i>Adm. Arleigh A. Burke</i>	46
Memorial Resolution.....	51
Convention Resolutions.....	60

TOPICAL FORUMS AND BREAKFAST MEETINGS

Advertising and Public Relations	
Savings and Loan Foundation Program, <i>William K. Divers</i>	71
Truth and Ethics in Advertising, <i>Willard Thompson</i>	75
Establishing the Savings and Loan Manager as the Fountainhead of Financial News, <i>Warren B. Pursell</i>	82
Association Directors	
Abomination or Opportunity? A Director Looks to the Future, <i>Helge Holst</i>	87
The Education of a Director, <i>Judge Robert S. Hunter</i>	92
How Your Association Looks to Others, <i>James R. Murray</i>	98
Business and Economic Trends	
Researching Your Local Housing Markets, <i>Stanley Edge</i>	103
Tomorrow's Cities: Today's Investment Potential, <i>Karl L. Falk</i>	108
The 1962 Mortgage Market: A Regional Roundup, <i>John J. Stafford, Ed W. Hiles, Jack W. Cashin,</i> <i>Joseph E. Linville, Thomas L. Wilson, Neill Davis</i>	115

Internal Operations	
Accounting Methods—Tab vs. Tronics vs. Conventional Equipment, <i>Walter Burt, A. C. Steinhauer, Clarence E. Kefauver Jr.</i>	120
Disaster Planning, <i>Robert H. Bush, George W. West Jr., Raymond L. Miller, Marion M. Hewell.</i>	122
Behind the Scenes in the Division of Examinations, <i>Lawrence M. Walters.</i>	123
Investments and Mortgage Lending	
Government Securities, <i>R. Duane Saunders.</i>	129
Opportunities in Retirement Homes, <i>Carl T. Mitnick.</i>	149
Residential Construction Standards, <i>C. W. Ford, R. L. Handell, F. N. Howard, Walter H. Lewis.</i>	151
Management and Personnel Forum	
Marketing Your Fringe Benefits, <i>Bernard A. Polek.</i>	154
How to Get the Most from Women Employees, <i>Kathryn Nutt.</i> ...	157
The Superior-Subordinate Relationship, <i>James Menzies Black</i>	162
Research: A Management Tool, <i>Harry Schwartz.</i>	169
Secondary Mortgage Market Conference	
Supplementary Mortgage Financing Outlets, <i>Ira A. Dixon.</i>	173
National Thrift Committee	
What Kiwanis International Would Like from the National Thrift Committee, <i>Lawrence A. Hapgood.</i>	177

**REPORTS OF ADMINISTRATIVE OFFICERS
AND COMMITTEES**

Report of the Executive Vice President on Administrative Matters, <i>Norman Strunk.</i>	183
Report of the Legislative Director on Legislative Matters, <i>Stephen G. Slipher.</i>	220
Annual Statistical Report for 1960.....	239
State Legislation, <i>William Prather.</i>	256
Advertising and Public Relations Committee.....	278
Appraisal Policy and Building Practices Committee.....	289
Attorneys' Committee	289
Branch Operations, Committee on.....	302

Capital Stock Associations, Committee on Management of.....	311
Civic Development Committee.....	323
Constitution Committee	324
Federal Home Loan Bank System, Committee on.....	325
Federally Chartered Associations Committee.....	343
FSLIC Law and Regulations, Committee on.....	351
Insurance Committee	363
Internal Operations, Committee on.....	375
Investments and Mortgage Lending Committee.....	378
Legislative Committee	383
Management Committee	387
Personnel Policies Committee.....	388
State Legislation, Advisory Committee on.....	389
Supervision and Examination, Committee on.....	404
Trends and Economic Policies, Committee on.....	409

**CONSTITUTION AND BYLAWS OF THE
UNITED STATES LEAGUE**

Constitution	425
Bylaws	434

''

GENERAL SESSIONS

EVENTS IN PERSPECTIVE

by C. ELWOOD KNAPP, *President*

United States Savings and Loan League

Pittsburgh, Pa.

A YEAR AGO I assumed the office of president of the United States League with the expectation that my term would be an exciting, stimulating and broadening experience. It certainly has been that, and it has been a rewarding experience as well—rewarding in the many acts of kindness, graciousness and cordiality that have been received by Evelyn and me as we have traveled across the country.

To all of you who have made this year one which we shall never forget, please accept our heartfelt thanks and appreciation.

Some weeks ago, when I first began to think about my speech to this convention, it occurred to me that the past year has been filled with so many major events and activities affecting and involving the savings and loan business that perhaps the most useful thing I could do today would be to try to put these events in their proper perspective. On a business-wide basis we literally have jumped from one major problem to another. It has been essential to run at a furious pace to stay abreast of the flood tide of affairs affecting our business. It has not been an easy year. In some respects it has been the most trying year that we have had since the days of the Great Depression.

The year 1961 demonstrated conclusively that we must pay a heavy price for our postwar growth and success, a price in terms of new responsibilities and the defense of our institutions from bitter and vindictive attacks from the outside.

But I must remind you—as I remind myself—that in spite of the problems and tribulations, we are just completing our greatest year in the 130-year history of our business. Our job is to make loans, and we are making more loans than in any year in our history. Our job is to promote savings, and we have accumulated more savings than in any year in our history. Our job is to serve our communities, and we have served them better than ever before. The truth is that our problems came largely from our success, and these certainly are the best kind of problems to have.

I come before you today with the sober feeling that these problems will

not become any less perplexing in the years just ahead. No doubt there are some among us who occasionally must long for the "good old days" when the pace was much less hurried and when our institutions were permitted to operate in almost comfortable obscurity. But those days are gone forever. Challenging as the days ahead may be, I also have a feeling of absolute conviction that this business is strong, vigorous and farsighted enough to continue to grow and progress and to continue to be of ever increasing service to the American people.

With gains in assets, savings and mortgage lending surpassing all previous years, 1961 could be classed from this viewpoint alone as a most unusual and extraordinary year. Important as this record of physical growth has been, however, it has been outshadowed by other events.

As all of you will remember, the question probably most frequently asked at our convention last year was: What will the new administration mean to our business? Today we have a pretty good idea.

NEW ADMINISTRATION UNDERSTANDS OUR ROLE

For one thing, it is abundantly clear that the new administration has a keen perception of the role that our associations can play in influencing and establishing the course of economic affairs for the nation as a whole. This was apparent shortly after President Kennedy assumed office and asked the savings and loan business to assist economic recovery by stimulating home building through lower interest rates. As you will recall, President Kennedy's request was endorsed promptly by the United States League, and many of our institutions moved immediately to reduce rates last spring, thus making an important contribution to economic recovery.

The new administration's interest in and recognition of the savings and loan business also was evident in the President's appointment of a strong personality to be chairman of the Federal Home Loan Bank Board. Chairman Joseph P. McMurray has been in office less than one year, but in that period of time he has shown a quick grasp of savings and loan affairs and has used the full power and influence of his office to create new opportunities for the savings and loan business for service in the public interest. At the same time, Mr. McMurray, along with Board members Ira Dixon and Joseph Williams, proved of vital assistance to our institutions in defending ourselves against the imposition of a drastic and unfair tax law. We are fortunate indeed that we have a vigorous and hard-driving Board chairman to represent this business in the hierarchy of our federal government.

Thus, on the basis of the record of the past year, I believe it can be said that the new administration understands the contributions our institutions make to the American people. It also is clear, in my opinion, that while the new administration recognizes our basic functions in the specific areas of encouraging thrift and financing home ownership, the administration also believes we should assume the responsibility for

helping to meet some of the so-called "specialized" housing needs of the nation.

Without qualification, I think that the first year of the Federal Home Loan Bank Board under the new administration may be described accurately as one of dynamic activity and action. A number of proposals which had been pending before the Board for a long time were brought to a climax and decisions were made. The past year certainly has seen the greatest concentration of decision-making on the part of the Board in liberalizing and broadening the activities of the savings and loan business since the days of the early 1930s.

Land development lending authority was expanded and streamlined. Loan amounts for apartment building financing were increased. Participation loan agreements with pension funds and other noninsured lenders were authorized. Maximum loan amounts and loan-to-value ratios were increased. Loan maturities were extended, and an up-to-date program of bonus savings accounts was authorized. Thus, the Board has moved in the direction of liberalizing the regulations and giving to management of associations greater leeway in the conduct of their affairs. In liberalizing the regulations the Board has shown a willingness to hand management the privilege and responsibility of determining its own loan policy. I know that we will demonstrate that we have the judgment and maturity to use these new powers wisely and in the public interest.

I doubt that anyone in the savings and loan business agrees completely with every detail of the myriad of decisions on the part of the Board this year. Certainly most of us would have suggestions for modification of these various programs. But despite some possible shortcomings, the essential fact to remember is that the Board *did* act on a number of long-standing proposals of the United States League and the savings and loan business. Further, let us remember that its attitude was wholly constructive and aimed at increasing the usefulness of our institutions.

UNPRECEDENTED LENDING ROLE

One of the most important things that has happened this year—a development that perhaps received less attention than it should have—is that savings and loan institutions played a bigger role in housing the American people than ever before. Our institutions will account for almost 44% of all home financing in 1961. Thus, we are carrying a bigger share of the nation's home lending duties than ever before. One of our major public relations and legislative assets is that savings and loan institutions have been the only group of lenders to assume a greater share of the home lending load over the past decade.

It is uncertain just how rapidly we can achieve an even greater share of the mortgage market. Much probably depends on the course of business conditions in the near future. If the pace of recovery picks up, the over-all requirements for credit may be such that the mortgage

lending of other institutional investors may lag, and we will be required to fill the vacuum. This assumes, of course, that our institutions will be sufficiently competitive in interest rates and terms.

In this connection, it is apparent that some greater leeway in apartment lending authority is required. Ten years ago the United States League managed to secure for federally chartered associations an increase from 15% to 20% of assets for loans other than one- to four-family homes. As apartment building has picked up steam in recent years and accounted for a greater share of the total home building volume, the desirability of this extra "elbow room" provided a decade ago has become evident.

Today, as interest in apartment construction continues to mount, it is obvious that a further extension in apartment financing authority is needed. The various alternatives available to secure this expanded authority doubtless will be discussed during this convention, and some recommendation will be forthcoming soon from our committees.

Because 1961 was a year of unparalleled activity in the savings and loan field, it provided new testimony to the wisdom of having developed an aggressive and energetic national trade organization. As *Burroughs Clearing House* magazine reminded us last year, one of the undisputed reasons for the success of the savings and loan business has been the work of the United States Savings and Loan League.

It is no small matter of pride to me that during my term of office the League provided the intellectual leadership and sheer drive in, first, strengthening the business; second, providing new opportunities for broader public service by savings and loan institutions; and third, defending the business from outside attacks of unprecedented bitterness.

THE U. S. LEAGUE'S LEADERSHIP

It was the League that assumed responsibility for the passage of legislation which will strengthen the Federal Savings and Loan Insurance Corporation by diverting into the FSLIC some of the funds which ordinarily would be used by savings and loan institutions to buy Federal Home Loan Bank stock. This program will enable the reserve ratios of the FSLIC to "catch up" with the tremendous increase in insured savings balances which has taken place in the past decade. All the research into savers' attitudes has indicated that the saving public does not quite have the understanding and confidence in the Federal Savings and Loan Insurance Corporation that it does in the Federal Deposit Insurance Corporation. New strength to our Corporation will enable us to undertake affirmative public education so that the savers of America accord our Insurance Corporation the full confidence it deserves. It was the League that originated the three major savings and loan proposals which were incorporated in the Housing Act of 1961—proposals intended to facilitate savings and loan participation in urban renewal, in financing housing for the aged and in trade-in housing. These programs open new avenues of community service and better-

ment for our institutions, and they provide workable vehicles for helping to meet pressing needs within the housing field and our modern society.

And it was the League that provided the vigorous and decisive leadership in the defense of our tax law—leadership which guided our institutions sure-footedly through a critical period in the history of this business. In these remarks I am not patting myself on the back, nor just praising the League staff and officers. I am praising *you*, because as a business we make more effective use of the time-honored maxim of "strength through unity" than do most other businesses. You, the members, have been willing to finance, staff and support a hard-hitting trade association.

DEFENSE OF OUR TAX LAW

All of you are familiar with the major events involved in our defense of our tax law: the so-called "inter-agency" hearings by the Treasury last spring which resulted finally in issuance of the controversial Treasury staff report; the scheduling of hearings by the House Ways and Means Committee; and then—under the leadership and coordination of the United States League—an all-out drive of opposition and protest against the Treasury report and various proposals to change our tax law.

There is just no doubt that the commercial banking groups felt they had victory in their grasp when the Treasury staff report was published and the Ways and Means Committee hearings were scheduled. As in past years, however, they were doomed to disappointment, for Congress showed no disposition to be stampeded by the commercial banks nor to permit them—and I mean the commercial banks—to write the savings and loan tax law.

The success of the past year in turning back the drive of the commercial banks is traceable to assistance from many quarters. I already have acknowledged the debt of thanks we owe the Federal Home Loan Bank Board. Two other government agencies—the Housing and Home Finance Agency and the Veterans Administration—also expressed deep concern about the potential impact of translating the Treasury staff report into law, and our deep appreciation is extended to the officials of these two agencies.

Two years ago the National Association of Home Builders, by convention action, came to our side on the tax issue, and reiterated and expanded this support at the time of the Ways and Means Committee hearings in August. We are grateful to the NAHB and the thousands of individual home builders around the country who contacted their congressmen during the course of this controversy.

As far as the savings and loan people are concerned, a special tribute should be paid to Henry Bubb, chairman of our Legislative Committee, for his many, many hours spent and his unswerving dedication to the job at hand. Our thanks go, also, to Norman Strunk and the

League staff; to the savings and loan legislative leaders from virtually every state in the Union; to the state leagues; and, of course, to the thousands of savings and loan executives who gave us tremendous support and cooperation at the grass-roots level.

The struggle between us and the commercial banks over our tax law has been long and tiring, but to date the results have been successful from our point of view and entirely frustrating so far as the bankers are concerned. As in any controversy that has gone on this long, it is natural for many of us to wonder: When will this issue be settled?

WHEN WILL THE ISSUE BE SETTLED?

I doubt that anyone really knows the answer. All we know at the present time is that the Ways and Means Committee is due to resume work on an over-all tax bill when Congress reconvenes next year. We were not in the "committee print draft" which was before the committee in September when Chairman Mills announced that no tax bill would be forthcoming this year. It is possible for us to be in this bill next year, or in another bill that could be written later in the congressional session. It also is possible that no action will be taken on our tax law next year.

It is hard to evaluate the influence of the federal government's budget problems on the outcome of the tax fight. President Kennedy has promised to submit a balanced budget, and these hopes are keyed generally to better business conditions and higher tax revenues. On the other hand, a balanced budget will be more difficult to accomplish if Congress adopts the Treasury's suggestions for an investment credit program for industries expanding their normal plant and equipment expenditures. As many of you will recall, Treasury Secretary Dillon suggested that part of the cost of this investment credit would be made up by increased taxes on thrift institutions. Secretary Dillon's proposal for investment credit for plant expansion has stirred little enthusiasm among businessmen or in Congress, and it could be shelved next year.

PREPARING FOR THE NEXT ACTION

Because we are unsure at this point what will happen, we are operating as we always have operated on this question, namely, building up our ammunition so that we will be ready to go into action on a moment's notice.

Earlier this year much of the time of the members of the League staff was devoted to preparing for a possible time of crisis during the summer. As a result, we were well organized and our arguments and materials well assembled when the crisis came. The same type of intensive study and preparation is under way now, and you may be assured that we will be ready to go "all out" if we are required to do so next year.

One thing certain is that the commercial banking groups are prepar-

ing to renew the attack next year. This was evident in the publicity emanating from the recent American Bankers Association convention in San Francisco. In a communication from the United States League office last week, you were advised that commercial banks around the country have been supplied with public relations materials designed to undermine the support we have received on the tax issue from the public, the Congress and the home building industry. I hope that many of you took appropriate counter measures before you left home. In anticipation of this problem, the United States League has prepared a wide variety of advertising and public relations materials, and these will be available for use in your communities should such use become necessary.

Although the propaganda of the commercial banks over the years constantly has emphasized tax revenues paid by commercial banks as compared to our institutions, more recently their leaders have been honest enough to acknowledge that the real purpose of the tax drive is to drum up more savings business for the commercial banks. The outgoing ABA president conceded at the time of the ABA convention last month that, to an increasing extent, the growth of the commercial banking business is dependent on a growth in time deposits.

COMMERCIAL BANKS' UTTERANCES

Some of you may have noticed also that the commercial banks pushing the tax drive now are uttering determined pronouncements to step up their home lending. However, actions still speak louder than words, and the record shows that our share of the home mortgage business has climbed from 31% to 44% since 1950, while the commercial banks now finance only 15% of the nation's homes as against 20% in 1950.

You may have noticed also that one of their speakers theorized that the commercial banks' contribution to housing should not really be counted in terms of home financing alone, but that the "whole" picture demanded that consideration be given to commercial bank installment financing of appliances and furnishings, and to the financing of municipal improvements and utilities. However, the speaker did conveniently forget to mention that installment credit is twice as costly to borrowers as is mortgage credit and that the income to the banks from municipal investments is tax-exempt—which, of course, accounts for much of the commercial bank enthusiasm for this type of investment.

I think it is appropriate here to touch on a question that has come up occasionally in connection with this issue, namely, the possible impairment of our relations with the commercial banks in our communities as a result of this conflict.

I believe part of the answer to this question is that the commercial banks initiated this dispute. We never have sponsored legislation detrimental to the commercial banking business, although often the temptation has been strong. We never have called for an end to the various subsidies enjoyed by the commercial banking business, such as were

outlined at the recent hearings by Congressman Patman of Texas. We never have sought the kind of lending and investment powers enjoyed by the commercial banks.

All we have done is try to defend ourselves against an unprovoked attack. I think our defense has been effective. I propose that we continue to fight every inch of the way!

All of us want to have cordial and friendly relations with the bankers with whom we must do business back home. But friendship is a two-way street, and it is a bit difficult to avoid strained relations with another businessman who may be trying to ruin your institution. Savings and loan associations should be selective in the banks with which they do business, and in my opinion the time for being selective is long overdue. If the commercial bank where you have your deposit is working to change your tax laws, it is working to damage your institution and you should take your business to another bank.

No matter how the commercial banks try to confuse the issue, there are only these basic questions to be settled: What loss reserve allowance should our institutions have? And who should determine the reserve—Congress or the Treasury Department? In view of the record of the 1930s and the hazards involved in long-term, low-equity lending which is commonplace today, we contend that we require a 12% loss reserve. The commercial bank groups, echoed by the Treasury Department staff, believe this reserve allowance should be cut to 2% or 3%.

Should such a crushing change be voted, it is inescapable that the impact on home building and home buying would be drastic and far-reaching. It is inescapable, too, that there would be immediate and strong sentiment within the savings and loan business for new operating powers and authorities designed to minimize the hazards of concentrating all our funds in home financing.

The Congress encouraged the development of savings and loan institutions because the public interest demanded a strong system of thrift and home financing institutions. We stand on the eve of a period of unparalleled population growth and housing needs, and we think that Congress, in the final analysis, will decide that meeting this public need is more important than appeasing the competitive impulses of the commercial banking business.

REJECT CONSTRUCTIVE SUGGESTION

Furthermore, it should be remembered that the commercial banking groups have rejected a practical and workable suggestion for giving their savings department operations the same tax formula as now applies in our institutions. Under this suggestion, commercial banks could segregate their time deposits from their demand deposits, and they then would be entitled to the same loss reserve on time deposits invested in mortgage loans as are savings and loan associations and mutual savings banks.

This plan would extend to the savings departments of commercial

banks exactly the same tax formula as ours. We think there may have been strong support within the Congress for such a plan, but this constructive idea never received any serious consideration from the commercial banks.

On the basis of the zeal with which the American Bankers Association and other commercial banking groups endorsed the Treasury staff report calling for a cut in our loss reserve allowance to 2% or 3%, one would think that the bankers believe a 2% to 3% allowance is adequate. But the record shows something else.

RECORD OF BANKER INCONSISTENCY

In 1956 the American Bankers Association made the following comment when speaking of the present 2.4% bad debt reserve allowance for commercial banks: "This [bad debt reserve] allowance does not pretend to be adequate. It is not half adequate. It is not a quarter adequate. No reserve of less than 10% of loans will be adequate."

In the same year, 1956, another commercial banking group, the Advisory Committee of the Association of Reserve City Banks, made the statement: "On the basis of our analysis of the public interest the extent of possible future losses and the reserves allowed by congressional action to other financial institutions, this Advisory Committee recommends the adoption of legislation which would allow the commercial banks to build maximum aggregate reserves equal to 10% of loans."

Nor has the passage of time softened the concern of the commercial banking business over its present bad debt reserve allowance. Just this year a report of the Commercial Banking Monograph Committee of the American Bankers Association included the statement: "We recommend, as a precautionary measure, the liberalization of the current regulation on the accumulation of bad debt reserves."

Here, then, is the record of repeated recommendations from leaders of the commercial banking business that their present bad debt reserve allowance be increased. Implicit in these recommendations is the opinion that the present commercial bank bad debt reserve allowance is inadequate. In view of this record and in view of the wide disparity in the type of lending done by us and by the commercial banks, it is difficult to see how the commercial bank trade groups can go before Congress and plead that a 2% to 3% reserve allowance be fastened onto the savings and loan business. If this is not an attitude smacking of hypocrisy and the carrying of competitive feelings to unhealthy extremes, I do not know what is.

NO EASY END TO CONTROVERSY

As we proceed in this controversy, you should never forget—nor should you allow your customers or builders or realtors or members of Congress to forget—that the real objective of the commercial banks is to cut your dividend rates and your ability to compete for savings. The

hard fact is that we have captured the initiative in the savings business and the commercial banks are trying to recapture it—but without paying more for savings if they can possibly get away with it.

I doubt if this contest will be settled soon. I doubt if it will be settled whenever Congress disposes of the savings and loan tax question. The outcome of the present tax dispute is vitally important. However, it may well be only one of a long series of competitive skirmishes extending over many years between our two businesses. The period ahead will not be a time for the timid and faint-hearted, and those short of stamina.

GREATEST DAYS AHEAD

This, then, is the picture on the tax front. Personally, I think the situation is a bit better than it was last summer, when the commercial banks had a number of factors working for them that they hoped would mean overnight action by Congress. They may not be so fortunate next year, or whenever this issue reaches the boiling point again.

This is a dynamic business. It has been built by men of vision, drive, intelligence, imagination and a sense of public service. There may be trying days ahead, but with these resources at our disposal I am positive our greatest days still lie ahead.

THE NEW CHAIRMAN LOOKS AT THE BOARD

by JOSEPH P. MCMURRAY, *Chairman*

Federal Home Loan Bank Board

Washington, D. C.



I HAVE BEEN PRIVILEGED on a few occasions in the past to be invited to the United States Savings and Loan League convention, but it never occurred to me on those occasions that some day I would have the privilege of addressing you at your annual convention as the chairman of the Federal Home Loan Bank Board.

I would be less than honest if I did not say I am proud of the honor and this opportunity. While I did not come, as you know, from the ranks of savings and loan, some of my previous positions brought me into contact with some of you. I also was acquainted in a general way with the savings and loan business and the Federal Home Loan Bank Board. But as I said in a number of public appearances around the time I assumed the office of chairman, there is a great deal that I would have to learn. I promised then that I would make up for this lack by studying very hard, picking brains, listening and working as hard as any man possibly could. I said, too, that my decisions would be based on what is good for the ordinary citizens, those who save with you and those who borrow from you. It seemed to me that following such a philosophy would not only promote the general welfare but would be best for savings and loan.

I asked for patience and understanding. I asked not to be judged on each case and on each decision but on my batting average. I have been in office now for more than six months, and you have treated me with the utmost patience and understanding. I am most grateful to you, and I hope my batting average is satisfactory. I have worked very hard, and I think you will agree that I have gone out of my way to pick brains and listen to those of you who know the problem from the grass roots as well as the councils on high. I have learned tremendously but, hav-

ing learned this much, I now know even better how much I do not know and how much more I have to study and work to do the job you want me to do.

LAUDS WILLIAMS, DIXON

The extent to which I have been successful in my chairmanship is in large part due to my two colleagues on the Board, Joe Williams and Ira Dixon. Ira is my long-time close friend; his seven years of experience, combined with what I choose to call good old-fashioned horse sense, have been of invaluable help to Joe and to me. Joe brings to the Board a grass-roots knowledge of the business, keen legal insight and, as you know, the right touch of humor. The staff is excellent, and has been extremely helpful and cooperative.

Of tremendous help to me have been some of the leaders of this great League: your retiring president, C. Elwood Knapp; the chairman of your Legislative Committee, Henry Bubb, who is also a very valuable member of our Task Force; and your executive vice president, Norman Strunk. I have known for a long time Steve Slipher, Bert King and Glen Troop. Frankly, I cannot say too much for them in their willingness to help me in every way possible. They not only are experts in their business of representing you with the Board, other executive agencies and the Congress, but they have proved themselves to be trustworthy and very loyal friends of mine and of the Board.

Nine of the 12 members of my Task Force are League members, and to them as well as to the members of your staff who sit and consult with us on the Task Force, I am indebted for having taught me so much. I also want to express my appreciation to the great number of you who have taken occasion to write and advise me concerning the problems which confront the Board. Believe me, you have all been most helpful.

I am keenly aware of the awesome responsibility which President Kennedy asked me to assume as chairman of the Federal Home Loan Bank Board, an instrumentality which regulates and supervises \$76 billion in assets held by some 4,700 institutions—institutions that have grown phenomenally. In fact, the growth of the savings and loan business has proved to be the most revolutionary development in recent financial history, quintupling as it has in size in the last decade. It is a business that has been in very large part responsible for implementing economic democracy by making it possible for citizens of modest income to become home owners. Aware as I am of this, I shall continue to work hard, very hard; and I shall continue to listen, learn and act; and, when and if I make a mistake, I shall not be afraid to recognize it and correct it. All this I promise you.

Our President recognized, as no other President in recent history has, the importance of savings and loan. His charge to me was, in effect: "Make the agency all it should be." President Kennedy has seen how closely the actions and policies of this business and the Board are related to the economic growth and development of our country. And he

charged me with the responsibility of working with you toward the end that we make America all that we want it to be.

The savings and loan business is now big business. It is recognized as being an important part of the money market and a vital factor in the economic health of the nation. The actions of this business must be affected by our national monetary policy. We must remind ourselves continually that the national well-being must come ahead of our individual or private interests. We must recognize that the economic interests of the savings and loan business depend upon the future conditions of the country. So let us work to improve our national health and well-being. In so doing, we will improve our own economic conditions and contribute to the success of our own institutions.

There are many outsiders and some among you who are pessimistic. There are some who will attribute your success to the home building boom. They are the ones who now warn that a decline is at hand. They point to an increase of 50% in the foreclosure rate, but they fail to point out the extremely low base on which the increase is calculated. They point to some of the vacancy statistics, but they fail to point out that many of the vacancies are concentrated in substandard and poorly located housing, in seasonal dwellings and in recently built apartment dwellings which no one expects to be rented 100% within the first year of their completion. And they fail to subtract a normal vacancy factor which permits a consumer's choice, which is the heart and soul of our competitive system.

The same pessimists point to some areas of overexpansion, but fail to point out how quickly these situations are being corrected and in many places cured. That there are danger signals and areas of real concern, we should be the first to admit. More importantly, we should be ever alert to the problem, and our approach should be one of caution.

Because of the low rate of family formation until 1965, we must use imagination and our best managerial skills, not only to keep the level of housing starts high, but also to keep our own shops in the best economic order. I am convinced that this industry, with self-discipline and good business imagination, and recognizing as it should the importance of keeping the cost of its product within reason, can contribute in a very direct and effective way toward maintaining the level of housing starts that will keep our economy strong and healthy and our associations sound and prosperous.

INVESTMENT TEST COMING!

You must have broader markets for your mortgages. At the same time, I would be seriously remiss if I did not warn you that to seek greater risks, to endanger the soundness of your portfolio or to pursue investments for high yield alone can cause you real difficulties. The critical period for any financial institution is when the demand for its product grows more slowly or declines. It is then that the real test comes. I am satisfied that the business has the kind of management that will meet

the real test and contribute in a very substantial way to a sound, solid growth during the next few years.

By 1965 I see the beginning of a prolonged boom resulting from the entrance of the post World War II babies into the housing market and the revolutionary development of new technologies, particularly the broad application of the new technologies that have been developed recently.

I personally am optimistic that the year 1962 will witness for savings and loan the same record growth that has been ours during the current year. You will recall the pessimists who predicted a million housing units for 1961. These are the very same people who were convinced that a drop in the interest rate on mortgages would have little effect on increasing the number of housing starts. But the fact is that the rates did go down and housing starts did go up. And it is to your credit in large part.

But may I hasten to add that the same economic statesmanship and the restraint in reaching out for those extra dollars that have contributed to our economic recovery and to your own growth are still very much required if, for the next two years, we are to maintain the level of home building and contribute as well to our national economic growth and development. Upping your dividend rates at this time can only cause you to up your interest rates or reach out for unsound loans. And if you do this, the public and its representatives in the Congress will not appreciate it.

Let us make progress through the kind of economic statesmanship and cooperative economic effort that you have demonstrated during the past six months. Do not be led by the economic mavericks among you. Such a course will peril healthy growth by substituting for sound economic effort what may turn out to be a malignant tumor. Believe me, if you will take this advice seriously, the Federal Home Loan Bank Board and the business it supervises will win the kind of prestige and dignity which will redound to an increased ability to serve the people. In so doing, the business will accomplish for the Congress, the administration and itself what it can do in no other way.

The most important asset a financial institution can have is the confidence of the public. Whatever allegiance the public has demonstrated to you so far will not last long if its confidence in savings associations is shaken. Your industry has grown into a major sector of our financial mechanism in the last decade. By 1970, if you do the job that I expect you will do for the public and the home owners of the country, your assets should approach \$200 billion.

GROWTH BRINGS CLOSER SCRUTINY

Confidence in an institution is a mirror image of how that institution looks to the public and how it serves the public. The more you grow, the more scrutiny you can expect from the public, your competitors, the Congress and the professors of economy and finance. I name the

last group deliberately. In many respects university people, naturally curious about how things work, have taken on the characteristics of a special public conscience. I am not suggesting that the academic fraternity is invariably correct, but it does command a great deal of attention. The savings business is now the subject of an increasing number of academic studies. We all are coming more and more under the microscope of critical examination.

Our performance under this examination will determine our future to an important extent. A higher rate of return is something the yield-conscious investor will pursue only so long as he has confidence in the instrument providing the yield. Your position today requires an increasing recognition of this careful inspection by a wide variety of observers. As an organized group, you should, I think, pursue the development of prudent, judicious and defensible practices by all members of the industry. It takes only a few "bargain-basement-type operators" or weak associations to muddy the name of the entire industry. I am not asking you to be your competitor's keeper, but I do think you need to be the servant of your industry and the public.

As the chairman of the Federal Home Loan Bank Board, I am not going to attempt to provide the solutions to all our problems, but merely point to the path along which we must labor. I shall attempt to give leadership to this great business and help you to help yourself and, most important, help America and its ordinary citizens.

My philosophy and my policy have been to make it easier for you to do a more efficient and more effective job for the home buyer, the builder and the saver. By doing this, I hope to enlarge and enhance the good public image that you have created in the minds of the American people. I should like to list some of the things we at the Board have done as a means of helping you do your job more efficiently, effectively and profitably.

SIX-MONTH RECORD OF ACTION

We expanded bank credit facilities and we are studying the credit mechanism to see what other steps may be taken.

Participation loans have been liberalized so that the resources of the industry can be marshaled on a nationwide basis, thereby avoiding pockets of plenty in the face of areas of shortage.

We have made trade-in lending more practical and have extended the period of construction loans.

You have been granted more liberal authority on land development loans.

You can now make 90% 30-year loans on houses.

A new bonus and variable dividend plan has been issued and, with the constructive revisions recommended by your League and others, it should be made more flexible and usable.

Giveaways have been subjected to regulation.

We have broadened your opportunity and participation in the urban

renewal programs and have encouraged you to participate.

New legislation has been obtained simplifying and providing for more democratic Bank Board elections.

The FSLIC has been strengthened, and within two years the overall reserves will have doubled and within a decade should have passed \$3 billion.

Reorganization Plan No. 6, which the Congress passed with almost no opposition, should improve Board administration and efficiency.

We have obtained congressional approval of the coordination of supervision and examination, and we are working cautiously but progressively to bridge the gap that has existed too long between supervision and examination.

We are creating a new Office of Research and Home Finance, and will have as advisers to the Board three top economists. With the 11 top economists the district Federal Home Loan Banks have been requested to hire, we will have a nucleus of economic financial analysis and prognosis that will provide us with the expert counsel which a business of this size so greatly needs.

Our request for a management study of the Bank Board, the 11 Federal Home Loan Banks and the credit mechanism has been approved by the Budget Bureau and will soon be in process. This critical evaluation, followed through by corrective action, should result in the kind of Board which will be needed to do the tremendous job that lies ahead. It will be my firm purpose to have the Board's house in such order that it can take on the job that will confront this business when the housing boom hits it.

Over and above all this, we have devoted a considerable amount of our time, energy and efforts on the problem of taxation brought on by some who propose that this business should be subjected to a drastic change in its tax law. Our efforts have been motivated solely by the welfare of the borrowers, the savers, the financial soundness of your associations and, most importantly, by a desire to maintain the level of housing starts and the economic health of the nation. Savings and loan, more than any other part of the financial community, has been responsible for the tremendous contribution to the growth and development of home building in this nation and to a better-housed America.

TREMENDOUS JOB AHEAD

There is a tremendous job still to be done, and this business must not be hindered in doing a much bigger job than it has done already. I must be perfectly honest and say that I think the job that has to be done will be so big and so important to the nation's welfare that I will work with any group outside of savings and loan that is willing and able to help us do the job.

An ill-conceived tax imposed on savings and loan at this time could, in my opinion, well kick off a housing slump. It not only would retard or reverse our recovery but, at the same time, would serve to discourage

and possibly defeat the efforts of those in the commercial banking industry who sincerely feel that they can help us in doing the job of providing more economical home financing for the American people.

Thus, you can see that we at the Board are trying by every means possible to make it easier for you to operate more profitably and more effectively so that you may better serve your community. We recognize, as you should, that there will be substantial and increased competition for savings and mortgage lending, in the years ahead, from the mutual funds, commercial banks, pension funds, credit unions, insurance companies, real estate investment trusts, the stock market and others.

The ability of your associations to attract savings and make mortgage loans, may I emphasize, rests as much on rendering effective service as on comparative rates of others. I believe well located branches and new associations are an important means of rendering that service, but you must also use your imagination and you must attract quality mortgages and savings. Most important, you must do it by good management, not by gimmicks.

As I have pointed out, the Board's efforts have been directed, and will continue to be directed, toward improving the policies, procedures and tools with which you and we must operate. In many areas we have a joint and mutual responsibility. There also are areas in which our responsibilities are separate and distinct. It would be unfortunate if we attempted to manage; management is not only your prerogative but your duty. Similarly, policy formation and supervision are our obligation. We could not, even if we wished, delegate those responsibilities. Yet we can each maintain an appropriate interest in each other's duties.

WARNS AGAINST MOTIVE OF PERSONAL GAIN

I have made frequent references to management. You face not only the obligation of soundness and flexibility, but the twin problem of prudence and propriety. Management deserves to be adequately compensated, but this does not mean that you can tolerate those who would use their position for purely personal gain. Abuse of a good institution, mark my words—I saw it at the RFC—can lead only to your own destruction or reprisal. You have a responsibility to your savers to protect the integrity of their investment, to build adequate reserves and to maintain services of high quality and safety.

As for the Board, we face some demanding responsibilities, too. The Task Force and the Board have discussed in great detail several problems pertaining to supervision. There are a number of ideas that have some merit; we are giving them our closest attention.

One of the problems that seems to disturb the business most is the Board's enforcement powers. It is our intent to propose legislation to clarify this critical area, but we do not wish to introduce legislation which seems to cure one difficulty while creating others. When we go to the Congress, we should like to be able to present a clear and comprehensive regulatory pattern.

There has been a great deal of talk about rule by law and not by men. Certainly that is the principle on which our society is based, but it does not mean that laws operate without people. It is men who enforce the law against other men. I know from my own experience in legislative matters that no law will stop people from finding peculiar interpretations of the rules of the game. While we seek a prompt resolution of this problem, I want to reassure you on several grounds even if legislation is delayed.

First, and very important, we regard supervision as a tool for encouraging and obtaining high standards of practice and not as a device for engaging in punitive expeditions. We aim to regulate, not strangle. I believe that successful supervision requires patience on the part of the supervisor and the supervised, as well as objectivity and knowledge on the part of the supervisor. The supervisor should aim to educate and explain the nature of a problem. Through this process he can acquaint the supervised with the practice and safeguards that appear necessary for sound operation.

Those being supervised should recognize the responsibility of the supervisor. Associations should attempt to understand his position and to offer sufficient information and explanation so that he can perceive the basis on which the association reached its decision. From personal experience I have found that when the full facts are made available, reasonable men usually will come to the same conclusion.

SUPERVISION A TWO-WAY STREET

From a number of matters brought to my attention since I became chairman, it appears to me that some disagreements could have been avoided if, on the one hand, adequate records had been made available to the supervisor and if, on the other hand, the supervisor had made his inquiries without any preconceived ideas, prejudice or bias.

The Board will strive in every way to improve the procedures and techniques in the area of written regulation, field examination and supervision. In fact, we think we already have made some progress along these lines. We hope this will be matched by increased recognition in the business of the need for clear-cut internal policies and procedures by associations to avoid misunderstanding or justifiable apprehension on the part of the supervisor.

When I talk about supervision, I am talking about a very small portion of the supervisory process. It is my belief that most associations have a genuine desire to abide by the regulations; and, if there are some infractions, they will be corrected in most cases without resorting to the punitive powers available to the Board.

The question of unsafe and unsound practices has been, as you know, a vexing problem. There are those who feel we should supervise on the basis of specific legal and regulatory restrictions only. Let me point out some inherent dangers in this view. If every possible transgression were thought of and put in writing, either the business would be in a strait

jacket with no flexibility or resiliency, or the supervisor would be the custodian of a mountain of meaningless, ineffectual reading matter.

I have not yet been able to find a law governing banks or savings associations in any major United States jurisdiction which does not enjoin unsafe and unsound practices. Why have the various legislatures tacked this requirement onto the prohibitions against violation of law or regulation? Legislative bodies have recognized that in financial matters there are many situations that must be judged on their individual merits.

You will find relatively little in the way of direct prohibitions or specifications in banking law on a number of important subjects. The entire area of commercial and industrial loans, and of consumer loans, except for restrictions on loans to one borrower, is subject to little or no legislative or regulatory restriction. Banks have been permitted to pursue an infinite variety of loan plans, subject only to the general restraint against unsafe and unsound practices. They have, therefore, retained flexibility and the right to innovate, without which they and you would shrivel. Yet bank supervisory agencies have not been hampered in fulfilling their obligation under the law. I think you will agree that, under the shield of safety and soundness, banks have been able to tailor their programs to fit an ever changing world.

FREEDOM OF MANAGEMENT ESSENTIAL

We believe that you need the same kind of freedom of management action. We believe, too, that it may be possible to compress the area of unsafe and unsound practices. This is not a simple task. Two members of the Task Force, for example, hold diametrically opposite views on whether construction lending should be subject to detailed or only to general regulation. It seems to me that those procedures which can be identified, defined and measured against a specific, unequivocal set of standards should be the subject of direct rather than indirect regulation. Those practices which may vary from case to case, and which must be tested in terms of the soundness of a given judgment, should remain where they are now.

As I suggested before, you can help immensely in this area. By way of emphasis, I repeat that you can help by maintaining clear, complete records and easily recognizable internal policies and procedures, thereby avoiding the possibility of misunderstanding or justifiable apprehension on the part of the supervisor.

Let me ask your assistance, too, on another point. Laws are not perfect, or else litigation would not be so common as it is in our society. Neither are reasonable men immune to disagreement. If you should feel aggrieved at some action, come to us. We want to learn this first hand and not through some other party. We pledge you our prompt, objective consideration. If you and we play this game in the spirit of the law, we shall be gainers in the long run by establishing a standard of performance which will inspire admiration rather than aspersion.

From my studies so far, it seems to me that there is a much needed revision of the ultimate sanction by which the Board makes effective its supervisory decisions. For example, we might well place certain limitations upon our authority to seize an association *ex parte* and without notice. In doing so, however, I feel that it is imperative that we be given an effective intermediate tool to correct practices in violation of law and regulations.

It is my tentative view that we ought to revise Section 5(d) so as to authorize the Board to issue a cease and desist order which would be effective immediately. While I believe an association should be allowed to test in a court of law the authority of the Board to issue such an order, I do not believe an association should be permitted to go into court prior to an administrative hearing.

CANNOT SHIFT SUPERVISION

For very practical reasons, we cannot shift supervision of this business to the courts. Thus, if an institution wants to contest the cease and desist order, it should be done in an administrative hearing under the Administrative Procedure Act, with adequate judicial review given to the decision which may result from an administrative hearing. The existence of such a procedure would certainly ensure the Board's personal consideration of any major supervisory action before it was taken and would thus put to an end the criticism that supervision is not by the Board but by its employees.

But it is up to you—the industry—to inculcate high professional standards in management. We, the Board, with all the best intentions, the best possible law, the best thought-out regulations and the best possible staff, can do only so much. It would seem to me that the best thing this business could do would be to develop a code of ethics by which you all could abide. I understand some effort was made along this line in the past. I encourage you to renew your efforts; in doing so, you will not only help yourselves but you will help us.

Remember, as I said on another occasion, you must be aware that the heart and soul of your business is not statistics but the individuals from whom the association secures savings and the borrowers to whom you make loans. You deal with persons; and if the pressures toward mass production should ever be allowed to obscure that fact in the management and direction of savings and loan associations, economic stress might well disclose that while bigness may cure some weaknesses it also can create others.

If the savings and loan business looks forward to continued expansion in the years to come, we should guard against the few who, by the use of their position for personal gain, would jeopardize the wellspring of public confidence that has been developed by this business and the Federal Home Loan Bank Board.

In the Board's vast jurisdiction and responsibilities, and the problems growing out of them, some of which I could only touch upon, my col-

leagues, our staff and I feel we have a machine with many facets. There is the responsibility to the government to fit our operation into a framework of national policy; the obligation to the public to maintain a sound, efficient industry which can provide economical home financing; the duty to the business to provide it with good working tools and the need to bring it the prestige and dignity it deserves.

Toward this end, I, your chairman, and Board members Joe Williams and Ira Dixon will continue to dedicate ourselves. We are supported by a devoted staff that knows this business and is anxious to pursue these same goals. The staff is being broadened and strengthened to assure even more vigorous pursuit of our objectives. We hope you will help us so that our efforts will redound to your benefit and that of the American people.

I should like to conclude with a sentiment contained in some of my favorite poetry. It fits a vigorous, growing business in a changing, demanding world. It stands clearly against pathetic fatalism which would credit or blame some unseen force for our destiny. But it requires the utmost from us. I refer to those lines in William Ernest Henley's "Invictus" which proclaim that no matter how exacting the task, each of us is master of his fate. I leave you with this thought and my pledge that we at the Board will do our best to obtain a positive, constructive mastery of our environment.

REPORT FROM WASHINGTON

by the HON. VANCE HARTKE

*United States Senator**Evansville, Ind.*

I FLEW INTO Chicago for your convention after a week in Rome as an American delegate to the United Nations Food and Agricultural Organization meeting. Because my trip to Europe has focused a good deal of my thinking on the problems of the free world and how we are going to get along with each other, I intend to devote a large measure of my time to this subject. As your guest, however, I would be remiss if I did not first discuss some subjects which you have already discussed at this 69th annual convention.

During the first session of the 87th Congress there was an unusual amount of legislation dealing with your industry. There were seven or eight bills favorably acted upon by Congress. Four of them, included in the Housing Act of 1961, expanded the lending authority of savings and loans. I was pleased to support these measures.

Broadening your authority to finance homes for the aging, trade-in housing and housing in urban renewal programs helped make the Housing Act of 1961 a great achievement. Its stimulating effect on home building and home financing is already obvious. I think it is a fact that this segment of the economy was among the first to suffer in the recession of last year and among the first to lead the way in the recovery which is in process. I believe we can look with confidence to the future because of such actions of Congress and the administration.

I have just seen a report from a firm highly accurate in applying a yardstick to economic trends. It shows consumer confidence high and, best of all, climbing. Our actions in Congress and the attitude of the administration have, I believe, helped to stimulate this confidence. There are many who believe the best thing to do about problems—recessions, unemployment, underconsumption and the like—is to pretend they do not exist. But when the government does this, it is not being honest, and the people continue to lose confidence. Then the attitudes

that cause or promote recessions snowball.

The 87th Congress also acted favorably on President Kennedy's Reorganization Plan No. 6, which was designed to increase the efficiency of the Federal Home Loan Bank Board, raised the appropriation for the Board and authorized additional top department heads.

These measures would have been enough for you to claim a successful legislative year. But there was one more area in which you could claim victory—the field of tax revision.

As you know, revenue-raising bills—tax bills, that is—must originate in the House. Then, after the House passes the bill, it goes to the Senate Finance Committee. As a member of that committee, I look carefully, closely and fairly at all recommendations concerning your tax status. It is my duty as a senator to do so, for thoughtful consideration is necessary when dealing with an important area of the national economy such as that occupied by your industry.

In the matter of taxation, my heart as well as my mind is interested in the welfare of your associations because your associations are interested in the welfare of the American people. I am fully aware of the job you are doing as an industry to promote thrift and home ownership. I know that you are the largest single source of home financing and that you increased home lending volume substantially this year. Your business ranks in the first line of this economy, and because of this it is entitled to at least more than ordinary treatment.

TAX PROBLEM STILL WITH US

But the federal government has been running at a deficit. As you know, we have had more deficits than surpluses for many years. And this means that we are going to be asked to find some new sources of revenue in order to balance the budget. Cuts in spending in some fields also will be in order.

So far as the savings and loan business is concerned, or any other industry for that matter, I do not believe in punitive taxes that will drive it out of business. Nor do I believe in restricting business unfairly through taxation. But it may be that some additional revenue will be sought from savings and loan.

I would be among the last members of Congress to vote for any tax that would curtail or severely hamper the business activity churned up by home construction and home sales. And that is what a restrictive or punitive tax on your industry could do. Home building must be kept going, for it is an important part of the economy.

As I said, you did have a successful legislative year. I have been unable to discover any legislation you sought that you did not get, or any you opposed that was passed. You do not get such treatment in Congress unless you deserve it, and unless your story is well told. This means you must not only be good businessmen, but also that you must serve the public and the public interest. This is the kind of leadership you have been getting from President Knapp and from Henry Bubb,

your legislative chairman.

There is another obligation which you have which is too often glossed over. That is the promotion of thrift. I know it takes the savings accounts of four to 10 persons to produce the money to make a housing loan. Too often there are spokesmen for borrowers and lenders, but rarely for savers. The saver should get a fair return. Savings help make the capitalistic system strong. This is the bulwark of the free world and a free society.

It is the free world and some of its problems that I wish to discuss with you today.

MIXED FEELINGS ON FOREIGN AID

In the session of Congress just ended, you know our heaviest battling was on foreign aid. We appropriated \$4.3 billion, on top of the \$5 billion previously appropriated and in the process of being spent. In all, the United States will have spent some \$106 billion in aid to 104 nations since the end of World War II.

We heard time and again the question of whether foreign aid is really necessary. We heard over and over the question of whether foreign aid is accomplishing the avowed purposes of raising living standards, expanding the economy of underdeveloped countries and aiding the free world against Communist penetration and domination.

I arrived at the conclusion that the idea is good but that it has not always done what it set out to do and has sometimes been poorly administered. We hope that the current reorganization will do the job better. I might add that I was the first to raise the point at a NATO Parliamentarians' meeting that our allies must help us to do this job of building the economic muscle of the free world.

I am afraid the battle over foreign aid was a minor skirmish compared to what lies ahead next year when Congress considers extension of the Reciprocal Trade Agreements, which run out June 30, 1962.

In foreign aid, we could pile on the scales the advantages to our own national interest in aiding others. In foreign trade, the interest is closer to home. Trade policies will affect the welfare of millions of workers. They will rebound in your business and nearly all others. Every part of our economy will feel the repercussions of a new trade program. Every citizen will feel them either as a producer or as a consumer. Speaking in terms of money alone, foreign aid involves at the most \$5 billion a year. Trade involves right now for America \$20 billion in sales abroad and \$15 billion in imports. You cannot shrug off that kind of money talk.

No matter what our international spending involves in the future—defense spending and/or foreign aid of one type or another—our international income is going to have to produce the capacity to do what has to be done. We are, you know, the most important single trading nation in the world. Profits from trade and investments overseas will have to pay many bills. Whatever the value of foreign spending, it must be cut

back if profits from foreign trade and investments are severely cut.

The results of some of our aid programs have indeed been spectacular. In some ways, Western Europe and Japan together have outrun us. The economic growth of Italy last year was the largest of any single nation in Western Europe and its gross national product increased almost 8% in that year alone, while we are pushing hard to keep our increase at 3% a year. So obviously, some countries have more favorable trade balances than we do. Some currencies are more stable. Some have wage levels more closely geared to productivity. Some have tax provisions that provide greater incentive to produce and more efficiency than ours. Many have new plants with modern equipment and more modestly priced labor than ours. Thus, some advanced industrial nations that we helped put back on their feet have advantages in trading with certain countries that we do not have. To top this off, our low tariff rates give some foreign producers advantages in our own markets in the United States. Whether we like it or not, the import competition is such that the advantage often is on the side of foreign nations.

In the light of all this, two important ideas are being advanced now and will be advanced more heatedly next year. One would further liberalize trade by lowering tariff barriers. The other would raise some tariffs and add or lower import quotas. Either would have long-term effects on the economy.

THE EUROPEAN COMMON MARKET

Economics of this kind and politics go hand in hand. This is being demonstrated in the European Common Market. Some countries felt this was only to create a production and customer pool by putting a tariff wall around themselves. Seven others who formed the European Free Trade Association have discovered that it will be to their advantage to join the Common Market. Why? Not just because of trading and mass market advantages. These major industrial countries have decided that they must band together politically and economically to resist being gobbled up by the Communist colossus.

In other words, democratic countries of Western Europe have the will and the vision to band together politically and economically in the face of common danger. We are directly concerned with the danger and with the remedy they are seeking.

While I was in Rome, representatives from the 18 non-Communist countries of Western Europe and the United States met in Paris to concern themselves primarily with NATO's military defense against Communist threats. But our involvement with our NATO allies extends far beyond defense. Europe certainly is going to have to rely increasingly on its own resources. Nearly 80% of our foreign aid has gone to Europe. Now all signs point to the fact that the Western European economies are strong and are able to function pretty well on their own.

Our role in the future will become, then, primarily one of the invest-

ment and trade as free Europe draws together to meet aggressive attitudes of communism. Western Europe already is our best customer. In 1960 we sold \$6.2 billion worth of our products there. In addition, American production in those countries soared.

This could have been even better. Western Europe still has some barriers which hurt us as a nation. For instance, we can deliver Hoosier coal from the Ohio Valley to the Rhine Valley cheaper than the Germans can produce it, but we are held back by low quotas. Coal mining is, of course, a sick American industry. In a conference I had last year with the German economic officials, I helped pave the way for some easing of these barriers.

What I am most concerned with here today is our relations with the Common Market and the policies which President Kennedy will have to use in view of this merging of European economies. These 13 nations, once they are merged, are going to have a production which exceeds that of the United States, a population which will exceed that of the United States, and a gross national product which will be almost twice that of the United States. They will, indeed, be the beginning of the United States of Europe.

NEW CHALLENGE OF COOPERATION

Twenty-seven years ago Cordell Hull's trade policies helped switch this country from deep isolationism to internationalism. President Kennedy apparently views the new challenge of cooperation with the rest of the free world as even greater today. But so is the opportunity. Let me call a few facts to your attention:

1. The United States has taken a lead in advocating the Organization for Economic Cooperation and Development within the North Atlantic Community. Secretary of State Rusk and others have said the OECD is primarily consultive and will not be concerned directly with foreign trade. But the purposes of this organization, to which we belong, show that it will be concerned with tariffs, commodity agreements and stabilization of markets and prices through allocation of production and distribution. These are matters which the United States has, in the past, opposed. Now we are in the midst of proposed new trade policies.

2. While we are not officially a member of the General Agreement on Tariffs and Trade, known as GATT, we have negotiated since 1947 with 37 members tariff cuts officially set out in the Trade Agreements Act, which expires next June 30. The new reciprocal trade act to be proposed will bring into the open in new fury the battle between free traders and protectionists.

3. How does the President intend to state our trade policy? How will Congress react? A trial balloon has gone up. It was the speech of George Ball, Under Secretary of State for Economic Affairs. He called for broad tariff reductions across the board to keep up with developments in the Common Market. Secretary of Commerce Hodges, in

commenting on the Ball speech, said we have to think in terms of freer trade or we are not going to get our share of international business. But he added that parts of our own economy have to be protected. What parts have to be protected will be one of the battles in Congress. How a Congressman reacts will depend on where he is from. For instance, New Englanders want protection for domestic textiles but eased barriers on residual oil imports.

4. President Kennedy at his last press conference said that if we were closed out of the Common Market, there would be a flight of American capital which would produce a chain of painful economic problems. To the National Foreign Trade Convention in New York, the President said: "It is essential that we have new tools to deal with the problem of international trade in a new and challenging world. We are prepared to take whatever steps may be necessary to protect and promote our national interests."

5. Christian Herter and William L. Clayton are co-chairmen of the U. S. Citizens Committee on NATO, set up by Congress to explore "greater cooperation and unity of purpose" in the Atlantic Community. These men have advocated trade partnership with the Common Market. They also are for tariff cutting across the board, as is being done within the Common Market, rather than item by item as limited by the current Reciprocal Trade Act. The Herter-Clayton report says we and other industrial countries should allow underdeveloped nations free trade in the exporting of raw materials.

6. On December 4 the Senate-House Subcommittee on Foreign Economic Policy will begin hearings on the Herter-Clayton proposals. This will mark the opening shots of the battle on extension of the trade law. Protectionists will have a chance to back up requests for stricter import quotas and higher tariffs. This is a vital sector which causes great concern for those of us whose home areas have been hard hit by unemployment and where there are several so-called depressed areas. Imports have had an effect on employment in many industries.

7. In recent days our Joint Economic Committee issued a 103-page document concerning trade policies to be followed by free countries in relations with Communist countries. The major recommendations seem to agree with the Herter-Clayton statement. However, the document should not be taken to mean that Congress has endorsed the program. Far from it.

COMMON MARKET IN LATIN AMERICA

There is another common market situation with which we are going to become involved in the near future. This is in Latin America. Actually, there are two—the Central American Common Market, and the seven signers of the Montevideo Treaty. Both look for sustained economic growth in all of Latin America. This is good for the United States. Elimination of tariff barriers on manufactured goods in Latin America will help the United States.

On the other hand, new problems may come from these new movements. Price and market stabilization in coffee, copper, oil, tin, rubber and other products has a profound effect on our economy and on your pocketbooks and those of all Americans. We are the biggest buyers in Latin America.

Where *do* we fit in?

In this part of the United States, we midwesterners have been traditionally protectionist. We are feeling a pinch of unemployment and other nagging economic problems stemming in part from imports. What should be our attitude, then, on these pleas for market unity with Europe and Latin America?

My own position on wider participation in common markets will develop as more facts develop and as estimates on effects of proposed amendments to the trade law are projected. Balanced judgment is going to have to wait on a clearer picture.

Last week the Scripps-Howard newspapers crystallized some of the thinking in an editorial entitled "Changing World Trade." It said: "Free trade creates jobs, but also takes jobs away. And that's the rub. Labor Secretary Arthur Goldberg, returning from trade conferences in Japan, reminds that the United States will sell the Japanese \$1.8 billion worth of goods while importing only about \$1 billion worth from that country. Obviously this is a net gain for the United States, in jobs and business, but this is hard to explain to a textile mill or an electronics company which has been underbid by Japanese manufacturers. . . . No economic question before the next Congress will be more important to the long-term welfare of this country. Extensive public discussions of the issues involved will be necessary and in this field Secretary Goldberg had made a good start."

This pinpoints in a few words the importance of what is going on. Frankly, I think that within the year 1962 the entire position and future of the United States may be changed, either as a result of this needed legislation or as a result of failure to act in this matter.

MORE DISCUSSION NEEDED

I hope that we can begin here today to stimulate discussion of these points:

1. Our present international economic policy is full of inconsistencies. We have a program of lowering trade barriers to promote imports, but we have a "no damage" rule for our own industries; that is, we promote lower trade barriers while adhering to a rule that says we do not want to harm industry in doing so. One will have to give. I think we are going to have to get some concessions from other countries if we are going to lower barriers.

2. Some workable quota arrangements will have to be negotiated where industries have been exceptionally hard hit by excessive imports. To name a few: textiles, ceramics, rubber goods, steel products.

3. We will never be able to join the European Common Market

without safeguards for traditional American markets, especially in agricultural products.

4. Any across-the-board tariff reductions will have to be truly reciprocal in nature. Safeguards will have to be written into the new law and also assured by GATT countries.

5. If there is to be freer trade, we are going to have to face up to the fact that there will be new and growing problems in this country. We are going to have to provide for retraining of workers, development of depressed areas, and some form of economic help for industry and labor directly hit by imports.

6. A unified Europe now emerging as a great trade force will not be in a position to negotiate from strength for a while, but within 10 years it most certainly will. We should never negotiate with any free nations as competitive antagonists. As allies our interests are the same—survival against the common enemy, Communist imperialism, and inevitable victory over this danger.

This will require great statesmanship. It will require give and take. It will require determination. It will require moral determination for finding solutions to difficult problems.

Our farmers, manufacturers, workers, consumers and savings and loan associations all have a heavy stake. The welfare of each and of all must be taken into consideration. We will learn, I believe, to work together in this cause or we may eventually be forced to work together again in the face of enemy action.

ALL HAVE STAKE IN OUTCOME

I have tried in this discussion of a weighty subject to be nonpartisan. It is certainly a nonpartisan subject. It is above political pettiness.

You, as business and economic leaders in your communities, have not alone a stake in the outcome, but an obligation to help us reach a just conclusion. Unless you take an interest in your government, and participate at least in discussion on vital issues of the day, we are in danger of making wrong decisions and of losing the freedom that now allows us to enter into discussion.

Freedom is not free, and it cannot be bought in a bargain basement. We need to work for freedom always. It is just as important to take an active interest in government and in candidates for office as to belong to this fine association or to root for the home team or alma mater.

Many of you shy away from this kind of activity. Many of you are reluctant to get into politics and government. Many are even reluctant to vote in primaries, where the candidates are chosen. Suppose you awoke one morning to find you had a choice between Chou-En-Lai and Nikita Khrushchev. Which would you choose? Then, it would be too late.

If our freedom is worth having, it is worth defending, worth using, worth participating in. It is part of the basic decency and morality that make America more than just an affluent and dynamic society.

CURRENT MONETARY AND FISCAL POLICY

by MATT S. SZYMCAK, *Consultant*

C. J. Devine and Company

New York, N. Y.



DELAYS IN monetary and fiscal policy changes are frequently inevitable—and yet timing is of the essence.

A recent editorial states that “the budget deficits for fiscal years 1961 and 1962, the first recently ended, the second new under way, exhibit one curious resemblance to those of 1958 and 1959. Each pair of years spanned a period of recession and subsequent recovery. In each cycle, the recession year produced a relatively small budget deficit, the recovery year a large one, 1959 even more so than 1962. This is the opposite of what a good fiscal policy requires. Recessions should be fought energetically with budget deficits. With mounting recovery, these deficits should taper off. In each of the two cycles, fiscal policy has been lagging far behind the events with which it was supposed to cope. While the record is better when translated into the so-called income and product account budget, it still is far from satisfactory.”

The editorial goes on to say that “a mechanism for a ready tax cut has been proposed by the Commission on Money and Credit. The President should have power to reduce the first bracket of the personal income tax by as much as five percentage points, for a period of six months, subject to a vote by the Congress. This is a sensible proposal which has long been urged by economists. So far there is no evidence of progress in that direction. Instead, the movement seems to be in the direction of flexible expenditures, as proposed by Senator Clark and conditionally endorsed by the President. Public works would be speeded if unemployment reached or remained at certain levels. In a recession, it would be better to do this than to do nothing. But it is a second best.”

Statistical economic information—good and getting better right along—is not always available in sufficient time. There are lags in many areas, and some of the data are merely assumptions—sometimes incorrect.

NEED MORE FLEXIBLE MONETARY POLICY

Because of the inflexibility of fiscal policy and the lack of economic information, we frequently rely too much on monetary policy because it is more flexible. But even monetary policy cannot always be as flexible as it should be. This is due partly to lack of sufficient economic information as well as the reasons for certain areas of our economy remaining low while other areas are rising, and therefore we have uncertainty as to whether an easy or restrained monetary policy will help or hurt the situation. Also, another reason is the frequent Treasury financing which necessarily compels the monetary authority to remain temporarily at least passive for a period before, during and after the financing.

It is imperative that I again stress the fact that has been repeated often, which is that monetary policy alone, even at its best, cannot provide us with the high stable level and the growth we seek; fiscal and other policies both by government and by industry and labor must be properly coordinated to move in the same direction to the same end.

All this has been said and written so often that sometimes I think it takes a crisis to do something about it—at which time there is always the temptation to go too far. I hope I am wrong.

One of the reasons we seem to delay doing anything about it is that ours is a living, dynamic, competitive economy which shows much resiliency. Ours is a good system. Let us do everything we can to preserve it.

Recently we witnessed once more our economy's resiliency, which is an outstanding feature of the postwar free world economic scene. After seeing the U. S. economy rebound quickly for the fourth time from recession levels, we may also say that the resilience of our essentially private enterprise system appears also to be one of the most durable features of the shifting economic structure of the postwar world.

RECESSION SHORT-LIVED, ECONOMY MARCHING AGAIN

The recession which started last fall proved to be both short-lived and exceptionally mild. In the spring the pace of business activity quickened again, and at the stepped-up rate of economic activity the total flow of real goods and services produced in our economy rose by 2% to equal the prerecession high in three months. The second quarter gross national product at current prices was estimated at a \$516 billion annual rate—a record level.

According to the latest indicators, over the following three months—from July 1 through September 30—total national production ad-

vanced again, but not as rapidly as it did during the initial quarter of recovery. One conspicuous factor checking the broadly based and vigorous upswing in over-all economic performance in September, and to a lesser extent in October, was the work stoppage in the automobile industry. With orderly production replacing the labor tie-up in automobiles, the prospects for further rapid gains in national output are very bright for the near term.

New orders for durable goods, an indicator of future production, after adjustment for seasonal influences, have been continuously on the rise this year. The results of the Department of Commerce survey of manufacturers' anticipations, conducted in August and September, seem to indicate that inventories held by manufacturing corporations will rise by over 4% from midyear to year end 1961. Over the initial quarter of recovery the build-up in manufacturing as well as trade inventories had been of more modest proportions.

Plant and equipment expenditures, which typically follow improvements in general business conditions, are also currently on an uptrend. The survey conducted jointly by the Department of Commerce and the Securities Exchange Commission in July-August finds that the fourth-quarter anticipated capital spending of businessmen is 7% above the actual outlays of \$33.5 billion made during the second quarter.

As an offset to these expansionary influences, it is to be noted that with increased imports of industrial and other commodities, which go hand in hand with continued domestic expansion, our favorable balance of foreign trade is likely to decrease. The contractionary influence on our gross national product stemming from this source may, of course, be aggravated if declines from the high levels of income and production currently featuring the economic situation of our principal customers abroad bring about associated declines in demands for American products. While our government is launching various programs, including an export insurance program to aid exports, any increase in prices here will further decrease exports and increase imports, and our deficit in our balance of payments will increase.

The fiscal position of the federal government is continuing to stimulate the economy long after the recession is over, partly due to the fact that tax collections, as a rule, lag behind individual and corporate earnings by about six months. According to Treasury reports, the nearly \$7 billion expected deficit for fiscal 1962 will cease to be an expansionary influence after year end as government revenues, swelled by taxes on improved earnings, will start to match government expenditures for the last six months of the fiscal year.

CONSUMER ATTITUDES IMPORTANT

Consequently, how far into 1962 economic conditions will continue to score rapid advances will depend mainly upon what the American consumer will decide to do with the rising income. Expenditures on housing show an encouraging advance since the initial phase of the re-

covery. After having declined steadily since October 1959, construction of nonfarm residential units rose again early this year, with the growth in value put in place from February to September approaching \$3.5 billion at annual rates.

Since about two-thirds of the expenditures on final products originate with consumers, it is evident that changes in attitudes here would naturally have an immediate impact on the course of business developments. Various reasons have been given for the reluctance of the consumer to buy: dealers' reluctance to push sales of autos, due to uncertainties caused by the delays in new models; Hurricane Carla; watchful waiting induced by international political tensions and the exhibition of atomic energy power. And, of course, it is always possible that the consumer is shifting his position more in the direction of a larger percentage of liquid savings as against durable goods acquisitions. There is evidence, however, that consumer expenditures for various services have continued their steady increase.

One noteworthy development during the past year which will also be a factor in shaping the economic situation in 1962 is the turn monetary policy has taken to cope with two new conditions facing the Federal Reserve System. The first of these conditions has been in the making since 1958, when the major industrial countries of the free world started to take persistent steps toward making their currencies convertible into the currencies of other countries. With financial links forged among economic systems through currency convertibility, it no longer becomes possible to pursue monetary policies for the purpose of moderating business swings in the domestic economy only, without considering the developing financial and economic conditions abroad.

THE UNEMPLOYMENT FACTOR

The second condition which the monetary authorities had to face in formulating appropriate policies in recent months, and which they will also have to face in the near future, is of domestic origin. It is the excess of productive resources that continues to be a feature of our economy even after six months of healthy recovery from levels which were only slightly depressed to begin with. An unemployment rate of about 6.8% still persisting after a sustained movement upward for half a year is not to be taken lightly. It is much above what economists consider a reasonable percentage of involuntary idleness with which we have to live in order to maintain free movement and free choices in the labor market.

The present high rate of unemployment is caused at least partly by structural factors which cannot be dealt with effectively by monetary measures. To find jobs for many who are now out of work, it is necessary to have training in new skills and other programs to improve the occupational mobility of workers who find the demand for their services reduced as a result of structural changes in our economy. All the same, monetary measures cannot be ruled out altogether, especially in view of

the fact that unused productive capacity continues also to exist in the plants of many industries.

Extensive studies conducted by Frank deLeeuw of the Federal Reserve research staff on 17 industrial materials like steel, cement and petroleum, for which both output and capacity data are available, show that industrial capacity was more ample during the last completed upswing in 1959-60 than during earlier expansions. The relatively small increase in manufacturers' unfilled orders and the actual dip, though slight, in the wholesale prices of industrial commodities during the current expansion are also indicative of a larger margin between plant capacity and output.

Thus, with evidences of slack in the economy not having entirely disappeared, the monetary authorities will have reason to move slowly from an easy to a less easy monetary policy over the months ahead. But they are also fully aware of the fact that reserves once provided by the Federal Reserve can and do enter the economy and afford an expansionary potential that may later become inflationary. Therefore proper timing of a transition to a less easy monetary policy is essential, but not easy under the circumstances.

MONETARY RESTRAINTS RELAXED

The first step toward relaxation of monetary restraints was taken as early as March 1960, when there were enough signs of unused capacity in the economy to remove any serious cause for concern over inflation. At the time, our gross national product was still rising at a moderate rate.

The first step which promoted greater ease in bank reserve positions through open market operations was followed in early June by a second step to ease restraints when the discount rate was reduced from 4% to 3½%. In August and early September, further reduction in the discount rate occurred—to 3%, which continues to be the rate today.

With business on the decline in the second half of 1960, bank reserves were augmented not only through open market operations but also by permitting portions of bank vault cash to be counted as required reserves in several successive moves beginning in late August. First, country banks were authorized to count vault cash in excess of 2½%, instead of the previous 4%, of their net demand deposits as required reserves. Next, central reserve and reserve city banks were authorized to consider vault cash in excess of 1%, instead of the previous 2%, as required reserves.

Finally, toward the end of November, all vault cash of member banks was counted as required reserves. At the same time, to equalize the benefits flowing from this move, country banks, which gained more by the change because they usually have more vault cash than central reserve and reserve city banks, had their reserve requirements increased from 11% to 12%. Another change affecting the relative standing of the member banks was the equalization of reserve requirements of central

reserve and reserve city banks at a level of 16½%, effective December first.

All this was done to make effective the reserve requirement law passed by Congress on July 28, 1959. Under the same law, some member banks in reserve cities, because of the character of their business, applied for and obtained authority to hold country bank reserve requirements, which are lower.

These changes in requirements, including those involving vault cash, released altogether about \$2 billion of reserves to the banking system without necessitating additional purchases of government securities by the Federal Reserve System. Why this was helpful in creating conditions of monetary ease—instead of relying entirely on open market operations—will become evident as we consider now one of the two new conditions mentioned earlier which the monetary authorities had to face, namely, our balance of payments.

After midyear 1960, the U. S. economy was characterized by a slackening of business activity. Furthermore, partly in anticipation of this, short-term interest rates had declined from January to June and were continuing at levels between 2% and 2½% since midyear. At the same time, the economies of Western European countries and Japan were distinctly on the upswing, with interest rates at levels much higher than ours. Funds being free to move internationally, since convertibility of currencies was by then an accomplished fact, the attraction of foreign financial markets was much too strong to be resisted, and a substantial outflow of capital from the United States, particularly in the form of short-term claims, started to take place.

CONFIDENCE IN THE DOLLAR SHAKEN

These short-term capital movements, and the gold outflows which they caused, assumed such proportions that confidence in the dollar was shaken and widespread speculative tendencies became manifest. The most dramatic of these tendencies last fall was the spiraling of the price of gold on the London market, accompanied by speculation about a possible devaluation of the dollar in terms of gold.

Since then, both the administration and the Federal Reserve System have been persistently concerned with keeping the dollar "above suspicion." Acceptance by the monetary authorities of vault cash as required reserves enabled many banks to use some of their reserves, which then became excess reserves. In other words, additional reserves were supplied for banks to use in the extension of credit. The Federal Reserve could have offset these excess reserves by selling government securities, but instead it began to operate in all areas of the government securities market so as not to force the short-term rate downward by concentrating its operations in the short-term area. With short-term funds seeking higher returns in foreign financial markets, it became imperative to limit the decline in our bill rates, while at the same time providing reserves to the banking system. After midyear these yields

stabilized at a level somewhat below $2\frac{1}{2}\%$.

This transition took place more or less as follows: In October 1960, the Federal Reserve started to provide the banking system with additional reserves by purchasing certificates and other government securities with maturities up to 15 months instead of buying only the 90-day Treasury bills. Since late February, the Federal Reserve started to purchase securities of longer maturity, placing special emphasis on the one- to five-year maturity range, and at times offsetting these purchases with sales of shorter-term securities. After less than six months of this type of operation, the Federal Reserve's holdings of Treasury notes and bonds increased by nearly \$3 billion.

These transactions were intended to stimulate the economy by assisting the flow of funds into productive domestic economic activities, without forcing the short-term rate down.

In terms of interest rates, the Federal Reserve policy of operating in all maturity ranges of the government securities market meant, first, the stabilization of the bill rate around the present level of a little below 2.5% for well over a year during a period when a complete turn-about of over-all economic activity took place. Secondly, it meant that the irregular rise in most long-term rates was definitely moderated. The October yields on Moody's Aaa bonds of 4.42% compares with the recession low of 4.22%, and is noticeably less than the preceding high of 4.61% in January 1960. Mortgage rates, following previous patterns, moved downward with the business contraction and early recovery. However, in the current advance they drifted down further, as the up-swing continued, before showing signs of firming at levels in the neighborhood of 6% for conventional first mortgages.

ABRUPT POLICY CHANGES UNLIKELY

With signs of excess productive resources still apparent in our economy, and savings in ample supply, it is likely that monetary policy will not become less easy abruptly and that changes in interest rates will take place as demand for mortgages and credit in general increases. Furthermore, whatever short-term yields are established in the domestic money markets, they cannot be left to deviate excessively from comparable yields in foreign financial markets. With convertibility among the currencies of major industrial countries an established fact, from now on the monetary and fiscal policies in all the financially inter-linked countries have to be formulated with one eye on the international markets. Just the other day, the Bank of England reduced its bank rate to 6%; not so long ago it reduced the rate from 7% to $6\frac{1}{2}\%$.

Now that we have to cope with a deficit in our balance of payments, which is something the Bank of England has had to cope with over a long period of time, some suggest we consider whether we can and should use at least some of the Bank of England's techniques through the use of our discount rate as the Bank of England uses its bank rate

to directly affect interest rates. Interest rates, however, have historically been the subject of much debate in legislative bodies of many countries.

Even though this new condition imposes certain restrictions on our choices of appropriate monetary or fiscal policies, what we are subject to is the healthy and invigorating discipline of competition among systems to keep prices down, products tailored to needs and collective spending contained to maintain confidence in the country's currency.

The Organization for Economic Cooperation and Development, of which we are members; the International Monetary Fund, with its broader approach in the use of member countries' currencies to help meet balance-of-payments problems (adopted in Vienna this year and to be announced in detail early in 1962); the Bank for International Settlements; the Foreign Exchange Market—all are helpful. But in the end, we must use our own disciplines at home—proper and coordinated fiscal and monetary policy—as well as other government and wage and price policies.

The President has already appealed to both labor and management to act responsibly in their wage and price decisions. To protect our balance-of-payments position and to keep the dollar "above suspicion" were important considerations in making this public appeal.

In this connection, it is interesting to note that, despite the launching by the President, not long ago, of an across-the-board economy drive to contain federal expenditures, the budget for fiscal year 1962 is expected to have a deficit of nearly \$7 billion. The administration finds it necessary to be firm to do no more than simply balance the budget in fiscal 1963. It appears, therefore, that if no surpluses are likely to be generated in prosperous times to offset the budget deficits which arise during slack periods, the danger of inflation is still latent in our economy.

One thing is clear. The deficit in our balance of payments requires constant disciplines in our economic and financial policies at home, lest they affect the position of our dollar abroad and thus affect our international relations, both political and economic.

BUSINESS AND REAL ESTATE TRENDS

by ARTHUR M. WEIMER, *Dean*

*Graduate School of Business, Indiana University
Bloomington, Ind.*



A YEAR AGO we were in the early stages of the mildest postwar recession to date. Recovery began early in 1961 and has continued to date, with promise of further expansion in the months ahead.

Each of the postwar recessions has had some characteristics that were comparable with others. For the most part they have been relatively mild. The economic stabilizers have operated effectively and the recessions have been of rather short duration.

Each postwar recession also has had its own characteristics. Our experience in late 1960 and early 1961 was characterized by a modest decline in over-all economic activity, largely due to inventory adjustments. The decline was not great enough to affect long-term money rates. In combination with technological developments, it produced some serious problems of unemployment.

The Economist, a widely read British publication, has characterized our current recovery as "well mannered." In many respects this is an apt description. Expansion has been orderly and at rates which have not put upward pressures on prices. Some of the problems of rapid expansion which characterized earlier postwar expansion periods have been avoided, at least so far.

At the present time it would appear that the recovery will continue to be well mannered. From some points of view it may be considered too well mannered, in that growth prospects are not such as to suggest a rapid reduction in the unemployment figures or to provide solutions for some of the problems of depressed areas.

The character of 1962 is apt to depend to a considerable extent on the international situation. Economic developments have been overshadowed in recent months by the deterioration in international relations, as exemplified by the Berlin crisis and developments in southeast

Asia. However, little can be said at this point in regard to potential international developments. Many of the decisions that will determine the character of the international scene will be made in the Kremlin, and it is almost impossible to guess what these may portend for the future.

In the absence of better information, we may assume that conditions will continue to follow the patterns of recent months, recognizing, of course, that minor revisions of estimates of the international situation or slight miscalculations could easily bring major changes.

If we may assume an international situation not unlike that of recent months, it now appears that 1962 should be a relatively favorable year for businessmen, consumers, farmers and other sectors of our economy. Expansion is likely to continue. The enlarged defense program will have increasing effects. There will be modest expansion in the business sector. Consumer expenditures undoubtedly will register some gains in the months ahead. Farmers may well have another good year.

At the present time, however, it appears that economic expansion will not attain "boom" proportions. It is possible that we may see some acceleration of the forces of expansion toward the end of the year. The fall elections may have some influence in this direction. In general, the year as a whole now gives promise of being a relatively favorable period.

A period of gradual expansion has advantages in that we are not likely to see a resurgence of inflationary pressures. On the other hand, it has disadvantages in that we are not likely to see major reductions in the unemployment figures, although some progress will be made. Further, we are coming to recognize increasingly that our unemployment problems have many social and technological implications rather than being solely a reflection of economic conditions. There are labor shortages in many highly skilled and technical lines; but, unfortunately, many of those now unemployed will not be able to gain the skills and the training necessary to fill such jobs.

IMPLICATIONS FOR BUSINESS AND FISCAL POLICY

If this general outline of potential economic developments during the year ahead has validity, there are several implications for particular sectors of the economy that need to be considered.

Government programs will play a significant role in the economic developments of 1962. Expansion in defense and related programs is already taking place, and will be paralleled by continuing activity in other public programs. The expansion of the defense program and the calling up of reserves has had, and will continue to have, some implications for the housing market. Many of the reservists will be reluctant to make house purchases, and indeed a greater number of houses may be put on the market than would otherwise have been the case.

An expansion of government programs, whether for defense or other

purposes, has many implications for both fiscal and business policy. Taxes are likely to remain high. Government programs will have some impact in the money markets. Government financial policies must be evolved in terms of political realities at home and abroad and with due regard for the protection of our gold reserves.

The whole area of the relationships between government and business has been discussed widely in recent months. While there may be some problems in terms of government-business relationships in other fields, this is not likely to be the case in the savings and loan business. The policies evolved by the Federal Home Loan Bank Board under its new chairman, Joseph P. McMurray, generally have the approval and support of the people in this business. The working relationships have been very good.

In the field of labor relations we have seen a relatively favorable pattern emerge as a result of the automobile settlements that have been achieved to date. Of major importance will be the labor negotiations in the steel industry. Whether or not various rumors regarding these developments are reliable, it now appears that there is little danger of a prolonged strike or that there will be major difficulties in reaching a settlement. If this opinion is fairly widespread, we should see relatively little stock-piling of steel, although there may be some tendency in that direction, particularly where it is important to complete projects on schedule and where efforts will be made to avoid any interruptions in building programs. If uncertainties regarding the steel situation become widespread, there may be some inventory building and this would tend to generate somewhat more than the usual expansionary tendencies in the earlier months of the year. At the present time it appears that we may avoid a repetition of the 1959 situation relative to the advance buying of steel.

EXPECTS MODEST HOUSING GAINS

Of major importance to us is the area of housing and home financing. House building in total seems to in for a modest rise. Major gains, however, are not anticipated.

In all probability, apartment house building will continue to be important, as it has been in the current year. The single-house market may expand only slightly.

Modest over-all gains will result from fairly rapid gains in some localities and rather sluggish markets in others. There has been some rise in mortgage arrearages and delinquencies, with a wide variety of experience among different localities. I think you know how to deal with these problems.

You may be interested in the reports that have been coming in to the League's Committee on Trends and Economic Policies. Of those reporting, nearly three out of four see little change in the volume of house building and only a limited number see prospects for significant expansion. Again there are significant local variations.

You are likely to have continued opportunities to finance apartment house projects, housing resulting from urban renewal projects, and special types of programs such as housing for the aged. I think you recognize this, but I believe it is important to emphasize the fact that all these areas represent different types of business from the single-family house field. You will need to exercise more than ordinary caution and rely to a greater extent than usual on experts and specialists in these areas.

The increase in the percentage of the home financing business done by the savings and loan institutions, while highly significant, as indicated by President Knapp, is not likely to be matched in the year ahead, particularly if there is increasing competition from other lending institutions.

Currently, savings trends appear to be favorable. Consumers may step up their buying rates in the months ahead and this may bring some reduction in the flow of savings, but in general I expect the continuation of a favorable volume of savings. In fact, I believe that increased consumer spending during the next few months would result in more jobs and greater incomes rather than less saving.

I do not foresee shortages of mortgage money. If there are upward pressures on lending rates, they will be modest and are likely to come late rather than early in the year. Indeed, you may face increasing competition in mortgage markets. Current estimates do not indicate a rapid expansion in business expenditures for plant and equipment. Consequently, banks and insurance companies may be taking more interest in the mortgage market than they have done in recent months.

Thus, it does not appear that higher dividends will be needed in order to attract a greater volume of savings to handle the demands for home financing.

Not only do market forces suggest little upward pressure on rates, but the Kennedy administration is strongly committed to economic growth and holds the position that favorable interest rates are necessary to economic growth. As part of the administration, the Federal Home Loan Bank Board will reflect this point of view.

IMPLICATIONS FOR SAVINGS AND LOAN

What do these potential trends suggest for savings and loan managers during 1962 and the years ahead?

I have already made several suggestions. The possibility of increasing competition from other lenders is something with which most of you have had experience; I need not elaborate on the policies that will be required. I have also indicated that there appears to be little reason for a revision of present dividend policies in the light of potential developments in the money and mortgage markets.

I have also suggested the importance of securing expert advice in special fields, notably lending on apartment house projects, housing in urban renewal areas and projects related to housing for the aged. In-

creased use of expert appraisers, market analysts, land planners and others is needed because these fields represent substantially different types of problems from those of the single-family house field.

If I were to suggest one line of development deserving of special consideration, I think it would be that of greater emphasis on a market orientation to the business. By "market orientation" I mean the whole set of viewpoints, attitudes and concepts which stress the development of major policies and decisions in the light of the total market situation in which you will be working. This business, more than most financial institutions, has had a heavy market orientation throughout the post-war years, but I think we need to emphasize this orientation to a greater extent and consider its implications.

SIGNIFICANT MARKET CHANGES

The report of the Committee on Trends and Economic Policies includes several significant observations relative to market changes. First, the total volume of market activity of all kinds is as great as was anticipated by many of the optimistic forecasts that were made in 1959 and 1960 and that often were presented under such title as "The Soaring Sixties."

Within the total volume of market activity, however, significant changes have occurred which contrast with previous expectations. For example, estimates of expenditures for consumer durables, particularly automobiles and houses, have proved to be too high, while estimates for expenditures for services have been too low. Basic shifts in consumer attitudes may be taking place. They may be influenced by changes in the age distribution of the population, lower rates of household formation, the high level of home ownership that has been achieved, automation and its varying impacts on employment, the persistence of a large unemployment problem, the difficulties of distressed areas, and the tensions and uncertainties arising out of the international situation. We need to study these changes and their implications for the future.

Second, with reference to the housing and home financing markets, we appear to be involved in some significant changes. We have not yet analyzed as carefully as we should the rapid rise in the construction of multifamily housing. Special-purpose housing, such as housing for the aged, is presenting new market dimensions. Recent stability of construction costs may be having a significant psychological impact on present and potential home buyers. Many home owners find themselves "locked in" with respect to their investment; it is difficult for them to trade their properties for other accommodations. While progress in the solution of the problem of trading equities has been made, this is an area worthy of special attention.

Third, certain basic shifts may be occurring in the savings field. We have gone through a period of rising interest rates. There are uncertainties as to the trend of interest rates over the next three to five years.

They may tend to stabilize, for example, as some students of the subject now suggest. Our capacity for saving may now be great enough to make available more than required funds for economic growth and expansion.

In short, the markets of the middle 1960s may be taking on "a new look." The time to study these markets and their potential implications is now. The gearing of management plans and programs to potential market changes has already been practiced by a number of savings and loan executives. A good example is presented in A. D. Theobald's recent article in *Savings and Loan News*.

The work of the United States Savings and Loan League, under the able direction of Norman Strunk, has made significant strides along these lines. The League is serving this business in much the same way that central management planning departments and committees are now serving many of our large corporations. While we tend to emphasize the League's contribution to the business in terms of its legislative programs, its major contributions in the years ahead may come in the fields of management and management education.

SOPHISTICATED MANAGEMENT NEEDED

The demands of the years ahead will call for a highly sophisticated management—not sophisticated in the sense of the typical college sophomore, but in the sense of the more complex missiles that we are now using for space exploration. The League is making available economic consultants, accounting advice, legal counsel, advertising and public relations services, and special assistance in such fields as urban renewal, labor law and taxation. These and other services are pointing the way toward a more sophisticated management.

In order to cope with the problems of 1962 and the following years, many of our management "rules of thumb" need to be put to the test of objective analysis. We need to be alert to new business opportunities. For example, we cannot afford to wait until the single-family housing field expands again in the later 1960s before trying to expand our own business volume. If we do, we run the same danger that the automobile industry ran in ignoring the small car market as long as it did.

Our estimates suggest that 1962 should be a favorable and an interesting year full of the types of problems that will make your work both challenging and rewarding. I know that you will meet these problems with your usual vigor and enthusiasm. I hope you will also begin to meet them as more highly sophisticated managers in a period that is characterized by more highly sophisticated consumers, government programs and missiles.

COMMUNIST AGGRESSION AND THE FREE WORLD

by Admiral Arleigh A. Burke (USN, Ret.)
Washington, D. C.



SINCE MY RETIREMENT a few months ago, I have had an opportunity to contemplate the different ways in which people of various nations handle their affairs.

The people of the United States are individualists. We believe that the way in which we conduct our lives—what we do and how we do it—is our own responsibility. We determine, we control, the way in which we shall be governed through our elected representatives. We are truly a government of the people.

The American sense of individual responsibility has been fostered and encouraged by the United States Savings and Loan League. Since your founding in 1831, you have encouraged and assisted individual citizens to purchase homes. You, and organizations similar to yours, have been so successful in this endeavor that over 61% of all American people now own their own homes. This is very important in a nation whose progress and well-being are dependent upon the responsibility of its individual citizens.

It is a particularly great pleasure to be here this morning because you, perhaps better than others, have an understanding of what responsibility really means and what it implies. Should we fail to maintain the responsibility of the individual, the United States and the principles upon which this nation is based are in grave danger.

You have this understanding because you not only have a responsibility for the material wealth entrusted to your care but you also have to exercise responsibility for your customers. You must do this with great thought, good judgment and understanding, in order to create and deserve the confidence of your clients. This requires an interest in your customers as individuals, an interest in their occupation, the number of youngsters they have to support, the opportunities in the area in which they wish to build, as well as their prospects for the future.

Not only must you have a knowledge of and interest in your customers as individuals. You must also have a knowledge of and interest in communities and in this government as a whole. It is on this latter subject that I wish to speak.

MANY REASONS FOR WORLD UNCERTAINTY

The world in which we live today is an uncertain, uneasy and confused world, perhaps even a frustrated world. Many things have happened since World War II to make it so.

Nations which once were the leaders of the world no longer have the power necessary to lead. There have been great technological advances—both in civilian industry and in military matters. Many new nations have been created—new nations having great aspirations and great needs, desires and wants but possessing little experience in how to cope with their newly found independence.

But the most important reason for the uncertainty throughout the world is the conflict between communism and freedom. The Communists have created this conflict. They have vowed that they will dominate the world, which means the elimination of freedom. Every step they take, every advance they make, is with this ultimate goal in mind.

Even the quarrels in the Communist empire between Mao Tse-tung and Khrushchev are not about *whether* the conflict should continue but upon *how* it should continue. The Red Chinese believe that violence and war are necessary to overthrow the free world quickly, while the Russians are presently basing their strategy on competition between the free world and communism. They believe their autocratic methods will be able to defeat the free world in the economic and political arena and thus cause our downfall without resorting to military strife, in which they would be vanquished.

This conflict will continue for many years, and the free world must win the fight in whatever arena the Communists choose to challenge us. Loss of the conflict would mean a world run by a Communist hierarchy. It would mean the demise of freedom, liberty, individual rights and all the other principles for which we stand. It would mean the beginning of another dark age for civilization.

This is a grim, deadly competition. It is a competition that embraces the whole spectrum of human endeavor—in the arts, in productivity, in science, in athletics, in education, in every human activity.

One of the basic factors underlying this conflict is the sense of responsibility of governments, of groups and of individuals.

COMMUNIST CONCEPT OF RESPONSIBILITY: WORLD DOMINATION

The Communist governments have just one responsibility: to ensure that communism will dominate the world. The Communist hierarchy reasons that any steps taken to achieve world domination are respon-

sible steps which must be taken even when it means the subjugation of entire nations like Hungary, Poland and Romania or the purging and dislocation of vast numbers of people as in Tibet and the western satellite nations. In their view, anything that aids the eventual Communist domination of the world and destroys all other types of authority is their "responsibility."

All groups in the Communist empire must work toward this end, too. No group with any other end in view can exist; it must be liquidated. And so it is with individuals. They must absolutely support the line that is put out by the Kremlin, or be liquidated. There can be no deviations.

Even men high in the Communist party, such as Molotov, Malenkov and Kaganovich, had to knuckle under to the voice of the Kremlin. They must parrot the expressions that come out of the Kremlin, or they fall. The rule of the party is absolute. No one is allowed to think or to act except in the way the Kremlin directs him to think or act.

AMERICAN CONCEPT: FREEDOM OF CHOICE

We, the people of the United States, on the other hand, have devoted our energy, our talent and our resources to the advancement of freedom, liberty, personal responsibility and a belief in the dignity of man, so that as many people as possible may enjoy the fruits of their own labors and may gain satisfaction from a sense of their own achievement. Our nation is built on individual responsibility. The people of this country have exercised their responsibility to help others gain freedom and, at the same time, instill in them a sense of responsibility for their own acts.

This individual sense of responsibility is one of the great differences between a free nation and a Communist nation. We feel an individual responsibility not only for our own actions, our own movements and our own conduct, but also for our community, for our group, for our nation and for mankind as a whole.

We know from our own experience that man will benefit and progress only if he is free to choose—free to select and grasp opportunities, to work where he wants to work, to live where he wants to live, within the laws and rules which he himself has helped to prescribe. We know, too, that civilization does not advance when people are told exactly what they shall do or where and how they shall live.

MUST EXERCISE PERSONAL RESPONSIBILITY

But the freedom of choice comes only when individuals living in freedom accept the responsibilities for preserving and fostering these attributes. We can keep our freedom, we can continue to live in liberty, only if we are willing to exercise our responsibility to ensure the perpetuation of these ideals. This is a grave charge for all of us. It is in this area of responsibility that we have much to do.

Perhaps some of us have not been exercising our personal responsibility as much as we should. Perhaps we have been negligent in permitting unethical behavior without being critical. Perhaps we have become tolerant of things we know are wrong. Not all of us are living up to the high standards which we proclaim. If not, it is because we are not exercising our individual responsibility as we should.

Delinquent children are a problem in the United States. These youngsters do not feel responsible for anything. They do not feel an obligation to the society in which they live, nor to the rules which that society has established to govern the conduct of its members.

Unethical practices, even by people high in the business world, have been widely publicized lately. These practices were made possible because we, the people of the United States, were not sufficiently alert to our own role in the end product of fair-dealing. We were not sufficiently interested to note that unethical practices were reaching into our own everyday living.

Scandal in the police forces of several major cities shocked the country recently when policemen charged with the protection of homes were themselves committing robberies and burglaries. No doubt these singular phenomena were the culmination of many smaller infractions, and even chiseling, by citizens who helped build up a complete disregard for law within the seat of law itself; certainly the police forces could not have been so generally corrupted without the assistance of many people. This is another indication that we may not be exercising our individual responsibility to maintain the high standards of our own communities.

WAYS TO DEFEAT COMMUNISM

I have already discussed the difference between our concept of responsibility and that of the Communists. This is where the struggle lies. Can we, a free people, outperform and outproduce a slave people?

Of course we can! But in order to do so, we must be able to compete; and to compete, we must have a very high sense of individual responsibility. We cannot be tolerant of wrongdoing. We cannot excuse unethical practices. We cannot conclude that integrity is something to put on or off according to the expediency of the moment.

Further, to defeat the ruthless, selfish, dogmatic system of communism, we need to be strong. We must be willing to prove that our methods, our system and our principles are better than those of the Communists. We have the capability to do this. All we need is to use that capability—to exercise our individual responsibility for the welfare of ourselves, our communities and our nation. We cannot dodge unpleasant issues. We cannot say, "Somebody ought to do something about it" or "Let George do it." We must do something about it ourselves.

Our forefathers made this a great nation because they had a deep sense of responsibility for what happened, not only to themselves but

to their neighbors, their community and their nation. They gathered in groups such as the one gathered here today, and they found solutions. When an undesirable situation existed in their community, they took steps to remedy it. Sometimes their remedies were harsh, but remedy it they did.

The strength of a free nation, the strength of the United States, is in the strength of its people. That is more than a platitude; it is a basic statement of fact.

It is encouraging to note that many people recognize this and are doing something about raising our standards and, in turn, our strength. They realize the grimness of the conflict and our need to win it, and they know that to win it we must be better in every field than our competitors.

Your convention here indicates your group's awareness of the danger to our country. You have great responsibilities, for you are a powerful organization and you can influence many thousands of people. You can encourage them to live up to their responsibilities. You can encourage them to support those who bear the awesome responsibility of guiding our nation through these perilous times. You can do this because you have an understanding of the ideals and principles of the nation—they are your ideals and your principles.

You can also do your utmost to require high standards in government and business officials. You can insist that persons in responsible positions observe the ethics of their positions.

MUST SET AND ACHIEVE OUR GOAL

The next few years will require great stamina and courage in all Americans. We will need a staggering amount of material resources and of educated, realistic, sound-thinking citizens. Above all, we must have the will to do those things that have to be done, and we must not falter in our avowed course. We must select our goals with care and then must marshal all our endeavors toward the achievement of those goals.

We can confer, we can negotiate, we can consider all points of view. But in the final analysis, we bear the responsibility and we must take the action. Any indication of weakness, any indecision, any compromise of vital principles or resolve will hurt our cause. We must, and we shall, prevail.

This nation, established on the principles of the dignity of man and the rights and responsibilities of the individual, has an opportunity unrivaled in the annals of history. We face the challenge of securing these privileges for others and, in so doing, of preserving our own freedom or of being overcome by a godless ideology based on deceit, ruthlessness, humiliation of the individual and abject subservience to the state.

We have the power to produce the greatest triumph in the history of mankind. With an unparalleled effort we can achieve that end.

MEMORIAL RESOLUTION

presented by W. O. DUVALL, Past President

United States Savings and Loan League

Atlanta, Ga.

THE TIES OF FELLOWSHIP and affection which bind savings and loan people together are unusual in the experience of business institutions. Thus, a very solemn moment of this League's annual meeting comes when we pause to revere the memory of those who have passed from their earthly duties since our last convention. You will find their names on the printed list which has been presented to you. Each of us has in his heart some of these whose loss we mourn personally. We pay honor to the memory of them.

On March 16, 1961, death took from our midst FRED T. GREENE, president of the Federal Home Loan Bank of Indianapolis, whose influence for good in the savings and loan business, and for the savings and loan business in the world at large, spread far beyond the geographical confines of his Federal Home Loan Bank district. From 1933 to 1935 he was director of field service for the United States Savings and Loan League. He had been president of the Federal Home Loan Bank of Indianapolis since 1935, and during that 26-year span he twice served as deputy governor of the Federal Home Loan Bank System. He had served on the faculty of the Graduate School of Savings and Loan and was a member of the Commission on Money and Credit at the time of his passing.

From the official family of the United States League we honor the memory of CHARLES McKEOWN of Milwaukee, Wis., who passed away on February 12, 1961. He was president of the Consolidated Savings and Loan Association of Milwaukee, and served on the Executive Committee from U. S. League District VIII from 1952 to 1955 and on the Legislative Committee for the past six years.

The savings and loan business also shares the general academic and financial world's loss this past year in the passing on August 21, 1961, of RAY B. WESTERFIELD, former professor of economics at Yale University, founder of the First Federal Savings and Loan Association of New Haven, Conn., in 1935 and its president until his death. He was one of

the most distinguished men in our national life to take active part in savings and loan work in our generation.

In memory of these men and of all those whose names are listed before you, I propose that the convention adopt the following memorial resolution by standing for a minute of silence.

IN MEMORIAM

WHEREAS, Many who guided the destinies of savings and loan institutions have been called to their reward during the past year; and

WHEREAS, Their absence from this convention constitutes a loss to the business, and personal grief on the part of those who knew them; and

WHEREAS, Their contribution to the progress of the savings and loan business is one of the lasting monuments to their lives; now, therefore, be it

Resolved, That the delegates assembled in the 69th Annual Convention of the United States Savings and Loan League in Chicago, on the 20th day of November, 1961, record their sorrow at the death of these valuable fellow workers, and extend to their families the sympathy of the savings and loan business which shares their loss.

MEMORIAL LIST

ALABAMA

James Marks Holt, *Montgomery*
Ben C. Paden, *Bessemer*

ARKANSAS

Howard Abraham, *Arkadelphia*
T. C. Heuer, *Harrison*
Monroe C. Hickman, *Hot Springs*

CALIFORNIA

Adolph J. Becker, *San Francisco*
David W. Brown, *Oakland*
James A. Burdick, *San Gabriel*
Arch K. Burton, *San Diego*
William A. Davis, *Oakland*

Agostino Di Noto, *Los Angeles*
Dr. Walter L. Edwards, *Visalia*
Eugene F. Essner, *San Francisco*
Dr. Morris J. Gates, *Santa Cruz*
Frank S. Gunter, *Redlands*
William J. Haryett, *Stockton*
Fred R. Hudson, *Watsonville*
Lee W. Miller, *Van Nuys*
Daniel Read, *Oakland*
Frederick H. Reimers, *San Francisco*
Walter L. Schroeter, *Covina*
Joe Shoong, *San Francisco*
George E. Swett, *San Francisco*

COLORADO

Wayne R. Caldwell, *Fort Morgan*
Albert C. Clough, *Greeley*
Ralph T. Hunter, *Trinidad*
Morris R. Sunday, *Lamar*

MEMORIAL RESOLUTION

CONNECTICUT

Leon J. Bascom, *New London*
Fred Brown, *Candlewood Isle*
William L. Delaney, *Thompsonville*
Lambert F. Folda, *Waterbury*
John L. Freiheit, *Shelton*
Herbert B. House, *Manchester*
Thomas S. Nolan, *Norwalk*
Ray B. Westerfield, *New Haven*

DELAWARE

Albert E. Hayman, *Wilmington*
Carl Jockel, *Wilmington*
Dr. Lewis Rumford, *Wilmington*
William W. Webb, *Wilmington*

DISTRICT OF COLUMBIA

Warren W. Grimes, *Washington*
Albert W. Howard, *Washington*
Christopher Rammling, *Washington*
Jules C. Ricker, *Washington*
Frederick W. Schneider, *Washington*
Walter P. Tuckerman, *Washington*

FLORIDA

Fred T. Benford, *Lakeland*
A. B. Coker, *Winter Haven*
Thomas R. Culler, *Sarasota*
J. A. Dugger, *Winter Haven*
Joe J. Fant, *Bradenton*
Ed L. Hainz, *Sebring*
Dr. R. R. Harriss, *Hollywood*
David H. Hendrick, *Coral Gables*
Tom Joyce, *Miami Shores*
James J. Love, *Quincy*
C. V. McClurg, *Lakeland*
J. Earl Myers, *Eustis*
W. C. Owen, *Clewiston*
Russell E. Rich, *Fort Myers*
Irving Ross, *Miami Beach*
Charles A. Schaldenbrand, *Bradenton*
H. Edward Seitz, *Fort Lauderdale*
Rollie Tillman, *Lake Wales*
O. J. Tooth, *Lake Wales*
W. E. Tylander, *Fort Pierce*
Lee F. Ward, *Miami Shores*
N. J. Wooten, *Fernandina Beach*

GEORGIA

W. S. Burel, *Buford*
Dr. J. Loy Carpenter, *Marietta*
R. A. Gould, *Brunswick*
Giles G. Hardeman, *Macon*
J. H. Hawkins, *Marietta*
Kenneth B. Hodges, *Albany*
Robert M. Holder, *Atlanta*
John M. Hurst, *Carrollton*
Joe Julius, *Columbus*
Robert MacDougall, *Atlanta*
E. B. Mackey, *Dublin*
J. H. Mays, *Fitzgerald*
C. W. Pidcock, *Moultrie*
John S. Stamps Sr., *McRae*
Herbert H. Timmerman, *Hapeville*
Hoyt H. Whelchel Sr., *Moultrie*
Judson S. Wilkes Jr., *Adel*

IDAHO

Dr. M. W. Faylor, *Boise*
B. D. Kester, *Twin Falls*

ILLINOIS

H. J. Apfel, *Pekin*
D. A. Armstrong, *Beardstown*
F. A. Ashton, *Morris*
David S. Benjamin, *Springfield*
John M. Biggins, *Elgin*
John M. Carroll, *Springfield*
William M. Choutka, *Chicago*
Ernest E. Davis, *Avon*
Herbert Esh, *Barrington*
L. E. Fayart, *Springfield*
William E. Hodnett, *Lincoln*
Arthur D. Hoover, *Cicero*
I. E. Ikemire, *Louisville*
Lawrence B. Jensen, *Elgin*
William E. Kaiser, *Springfield*
Theodore J. Kartheiser, *Chicago*
J. S. Keenan, *LeRoy*
Joseph Krajeski, *Chicago*
Edwin F. Kriewald, *Kewanee*
Adolph F. Kunz, *Springfield*
William E. Mark, *Avon*
J. T. McBroom, *Watseka*
R. B. McWilliams, *Chillicothe*
William C. Meinert, *Nashville*
John R. Mount, *Wheaton*
Joseph E. Rosol, *Berwyn*
Ralph Salzman, *Dixon*
Martin H. Schreiber, *Barrington*

William E. Schuett, *West Chicago*
Herbert Sommer, *Deerfield*
Joseph F. Sonnleitner, *Berwyn*
Roy J. Tanquary, *Mt. Carmel*
Charles J. Walters, *Palatine*
Martin F. Weber, *Jacksonville*
Clyde M. West, *Chillicothe*

INDIANA

Paul N. Bogart, *Terre Haute*
Leo Bonaventura, *East Chicago*
Ethel Campbell, *Spencer*
C. A. Edwards, *Lawrenceburg*
Walter Eickelmeyer, *Richmond*
Fred T. Greene, *Indianapolis*
John Havrilla, *Gary*
E. P. Hayes, *Lawrenceburg*
Stephen Kopko, *Gary*
Adam Koscielski, *South Bend*
Julius Leinenbach, *Jasper*
W. Eskel Leslie, *Boonville*
Charles W. Matson, *Michigan City*
E. Kirk McKinney, *Indianapolis*
Edward H. Parry, *Indianapolis*
Carl A. Ploch, *Speedway*
Irvin G. Schein, *Batesville*
Jacob Stuber, *Lawrenceburg*
George E. Young, *Shelbyville*

IOWA

George M. Ball, *Fairfield*
Rev. Wesley F. Belling, *Charles City*
Dr. Hal Childs, *Creston*
Ben Comenitz, *Davenport*
Harry Hedges, *Cedar Rapids*
Frank A. Ide, *Creston*
Richard F. Naeckel, *Davenport*
Alex T. Nelson, *Des Moines*
Myrle Peters, *Spirit Lake*
Carleton Sias, *Waterloo*
B. E. Short, *Sioux City*
Herbert E. Vaughan, *Waterloo*
Ralph W. Wischmeier, *Burlington*

KANSAS

C. R. Aldrich, *Great Bend*
Peter Aurell, *McPherson*
Elmer G. Clark, *Erie*

John W. Curtis, *Arkansas City*
F. W. Durein, *Topeka*
H. W. Earlougher, *Arkansas City*
Dr. A. O. Elliott, *Bonner Springs*
Edward C. Flood, *Hays*
Harley E. McMillen, *El Dorado*
A. R. Mulholland, *Topeka*
Wilber Neill, *Clay Center*
Clarence C. Stewart, *Lawrence*
J. K. Wood, *Overland Park*

KENTUCKY

Judge Eugene C. Benzinger, *Covington*
Stokley Bowling, *Elizabethtown*
R. E. Culbertson, *Covington*
J. Bruce Davis, *Lexington*
Gustav Flexner, *Louisville*
J. W. Fowler Jr., *Louisville*
Clyde R. Levi, *Ashland*
Clyde D. Magruder, *Louisville*
Robert R. Mallory, *Somerset*
J. R. Morrow, *Mayfield*
Stanley Newhall, *Louisville*
Norbert C. Rehtin, *Louisville*
Joseph Rettig Sr., *Covington*
W. R. Seidenfaden, *Newport*
George S. Warning, *Newport*
Gladstone Wesley, *Somerset*

LOUISIANA

Myrtille Barrilleaux, *Houma*
Felix Borne Jr., *New Orleans*
Walter P. Emerson Jr., *New Orleans*
Robert R. Grant, *Plaquemine*
Harry Hellier, *Houma*
O. W. Herring, *Hammond*
Travis Oliver Jr., *Monroe*
Chester F. Owens, *New Orleans*
Milton H. Pharr, *Rayne*
Ernest J. Robin, *New Orleans*
Allan Stubbs, *New Orleans*
Albert L. Vitter, *New Orleans*
Edwin L. Zander, *New Orleans*

MAINE

Emery O. Beane, *Augusta*
Reed V. Jewett, *Calais*
Irvin E. Sinnett, *Portland*

MARYLAND

William C. Albert, *Baltimore*
William P. Amrhein, *Essex*
E. Guilbert Custy, *Baltimore*
Joseph Fax, *Baltimore*
Frank B. Habercam, *Baltimore*
Samuel H. Hoffberger, *Baltimore*
Urban J. B. Link, *Baltimore*
Irving H. Mezger, *Baltimore*
Francis Norris Jr., *Baltimore*
William H. Reynolds, *Baltimore*
Dr. Edward P. Smith, *Baltimore*
Frank L. Smith, *Baltimore*
George C. Wiedersum, *Baltimore*

MASSACHUSETTS

Lawrence H. Abbott, *Quincy*
Edward Bower, *Lawrence*
Walter F. Colby, *Medford*
Duncan W. Edes, *Brockton*
J. Henry Fitzpatrick, *Brighton*
Philip D. Glass, *Worcester*
James H. Kennedy, *Middleboro*
Dennis C. Killeen, *Great Barrington*
Charles E. Langlois, *Gardner*
Carl K. Lincoln, *Fall River*
Carl E. Lundgren, *Lynn*
Paul J. McInerney, *Boston*
Ralph S. McNeilly, *Boston*
Thomas Peterson, *Concord*
Eugene V. Potter, *Hingham*
John J. Powers, *Stoughton*
Frank X. Robichaud, *Methuen*
Dudley S. Silsby, *Holyoke*
Ezra S. Stackpole, *Malden*
Roger R. Sullivan, *West Medford*
Wallace L. Youngstrom, *Brockton*

MICHIGAN

Roland E. Barr, *St. Joseph*
C. Harley Bertsch, *Grand Rapids*
Upton Brannack, *Detroit*
Charles W. Erickson, *Wayne*
Adelbert W. Hahn, *Detroit*
Judge Ira W. Jayne, *Howell*
Ernest O. Knight, *Detroit*
Ernest C. Rice, *Battle Creek*
Carel S. Seaman, *Marshall*
Mantous Uht, *Wayne*
Arthur S. Wilson, *Big Rapids*

MINNESOTA

C. A. Anderson, *Winthrop*
Paul Anhorn, *Owatonna*
Lyman Barrows, *Minneapolis*
H. D. Blanding, *Detroit Lakes*
Leo F. Chambers, *St. Paul*
C. C. Cook, *Tracy*
J. F. Craig, *East Grand Forks*
Roy A. Danielson, *South St. Paul*
Walter W. Frank, *Springfield*
Mentor Hellickson, *Spring Valley*
A. O. Hoghaug, *Detroit Lakes*
Peter Jepson, *Jackson*
Charles J. Moos, *St. Paul*
Bradford H. Strom, *Jackson*

MISSISSIPPI

B. J. Anderson, *Grenada*
Dr. George S. Daly, *Columbia*
Percy V. Graves, *Batesville*
Lamar N. Griffin, *Gulfport*
J. T. Lyle Jr., *Meridian*

MISSOURI

Edw. L. Bauman, *Boonville*
Drury M. Brommer, *Boonville*
L. W. Coleman Sr., *Moberly*
James E. Cook, *St. Louis*
John C. Corrigan, *Poplar Bluff*
Rolla Cozean, *Farmington*
W. G. Cresswell, *Farmington*
Herman Dischinger, *St. Louis*
Walter Hodges, *St. Louis*
H. T. Lincoln, *Springfield*
William J. McBride, *Cape Girardeau*
George N. McDonald, *St. Louis*
Joseph F. Memmel, *Boonville*
Ernst C. Moerschel, *Jefferson City*
Preston Myree, *St. Louis*
Jesse N. Owens, *Jefferson City*
Lawrence N. Schneider, *St. Joseph*
Joseph S. Strawbridge Sr., *St. Louis*
Anthony Turek, *St. Louis*

MONTANA

Wm. M. Dixon, *Missoula*
J. F. Emigh, *Butte*

NEBRASKA

Ernest Hanson, *Wahoo*
Charles P. Hildebrand, *York*
William H. McDonald, *North Platte*

NEW HAMPSHIRE

Arthur O. Burke, *Nashua*
Alonzo R. Gile, *Franklin*
Ernest W. Gray, *Nashua*
Thomas H. Keenan, *Dover*

NEW JERSEY

Jacob Blank, *Newark*
Patrick C. Brannick, *Bayonne*
William J. Brown, *Belleville*
Thomas W. Bunting, *Camden*
Harry K. Buzby, *Somerville*
Patrick J. Connolly, *Clifton*
Millard Cooper, *Mahwah*
Kenneth L. Demarest, *Hackensack*
Jules B. Derowski, *Camden*
Francis Douglass, *Cape May*
C. Edgar Elfreth, *Oaklyn*
Joseph J. Felcone, *Trenton*
Richard H. Fitzsimmons, *Newark*
John Franz, *Clifton*
William Frey, *Maplewood*
Edward Friedrichs, *Hoboken*
Peter Hofstra, *Paterson*
Voorhees Kline, *Somerville*
John J. Landers, *Kearny*
Ben F. Lee, *Wildwood*
William R. Leers, *Bogota*
Abraham Liebow, *Newark*
Kenneth A. McClinchie, *Kearny*
Robert H. McLeod, *Morris Plains*
Eugene D. Morin, *Closter*
Stephen Negrey, *Elizabeth*
Adolph V. Palumbo, *Bernardsville*
Charles J. Riley, *Pitman*
Curtis O. Sangtinet, *Camden*
Otto Schulz, *Little Ferry*
Philip L. Schwartz, *New Brunswick*
William A. Sharpe, *Bernardsville*
Henry H. Sherrier, *Elizabeth*
Willett D. Shinn, *Mount Holly*
Walter A. Smith, *Harrington Park*
Alexander S. Spence, *Clifton*
Henry L. Storms, *Park Ridge*
Harvey B. Thompson, *Belleville*
Charles L. Tricker, *Ramsey*
John Trout, *Ocean City*
William Webb, *Audubon*
Everett A. Woolfenden, *Freehold*

NEW YORK

Stanley W. Aston, *Beacon*
Peter D. Bekeros, *Highland Falls*
Thomas J. Brennen, *Hastings-on-Hudson*
Russell M. L. Carson, *Glens Falls*
Henry L. Case, *Albany*
Ross E. Clark, *Plattsburgh*
Dr. Herbert A. Cochrane, *Staten Island*
Mervyn H. Connor, *Mamaroneck*
John H. Dewell, *Greenwich*
Theodore J. Drach, *Staten Island*
Martin E. Evers, *New York*
Joseph C. Fonda, *Johnstown*
William A. Frame, *Hempstead*
Raymond G. Hall, *Utica*
Truman L. Hall, *Rochester*
Edward G. Halsey Jr., *Peekskill*
O. B. Hanson, *New York*
Daniel R. Harper, *Staten Island*
Lester J. Harper, *Staten Island*
George S. Jones, *Little Falls*
Claire J. LaFleur, *Waverly*
Norman C. Lawson, *Central Valley*
Harry Leich, *Baldwin*
William A. Ludwig, *Rochester*
Frank Mallen, *Tuckahoe*
Everett W. Mason, *Rochester*
Malcolm McKinnon, *Brooklyn*
William P. McNulty, *Norwich*
Anthony W. Milewski, *Spring Valley*
Bertrand W. Miller, *Herkimer*
Eldridge M. Miner, *Irvington-on-Hudson*
Edwin M. Mulholland, *Whitestone*
John H. Murray Jr., *Waverly*
Charles R. Richardson, *Middleport*
John J. Ruane, *Beacon*
Ettore Rubeo, *Haverstraw*
Howard C. Secor, *Beacon*
Edward O. Seiffert, *Bronx*
Wilfred E. Sharp, *Valatie*
George Stoll, *New York*
Harold P. Sullivan, *Syracuse*
Charles H. Tisman, *Staten Island*
Adolph Treher, *Gloversville*
Floyd W. Van Wie, *Baldwinsville*
Dr. James D. Wands, *Solvay*
Lester H. Wedekindt, *Buffalo*
Chester L. Weyant, *Highland Falls*
Moses Winkelstein, *Syracuse*
Herman Winner, *New York*
Walter P. Wright, *Nyack*
Frederick H. Zurmuhlen, *Staten Island*

NORTH CAROLINA

Dr. C. S. Barker, *New Bern*
Robert D. Beam, *Raleigh*

Charles Carr Bowie, *Monroe*
John G. Bragaw, *Washington*
Walter A. Bunch, *Asheboro*
J. Ed Butler, *Morganton*
W. F. Campbell, *Fayetteville*
F. Ertel Carlyle, *Lumberton*
Arthur C. Cline, *Taylorsville*
William A. Crabtree, *Sanford*
B. M. Currin, *Burlington*
Dr. A. L. Daughtridge, *Rocky Mount*
J. Gomer Davis, *Spindale*
George S. Dewey, *Goldsboro*
Brown F. Finch, *Thomasville*
Felix E. Fournier, *Reidsville*
Watt H. Gragg, *Boone*
George H. Harrison Jr., *Williamston*
Charles A. Hoey, *Shelby*
C. D. Hogue, *Wilmington*
S. G. Holcomb, *Elkin*
Jacob C. Keller, *Kings Mountain*
Theodore L. Kiser, *Granite Falls*
I. Mayo Little, *Robersonville*
Henry F. Martinat, *Valdese*
Joseph E. McDougal, *Spindale*
Dr. R. J. Morrison, *Cherryville*
Ivey Howard Nance, *Troy*
J. W. Noell, *Roxboro*
Hugh W. Prince, *Dunn*
E. B. Satterwhite, *Aberdeen*
F. P. Spruill, *Rocky Mount*
John Swain, *Asheboro*
I. D. Thorp, *Rocky Mount*
B. E. Wilson Sr., *Winston-Salem*

OHIO

James D. Adair, *Xenia*
Fred P. Alsfelder, *Cincinnati*
Charles S. Amey, *Fremont*
Robert C. Ansted, *Cincinnati*
Edward M. Aufdemkampe, *Cincinnati*
Joseph Ball, *Jefferson*
Frederick Berling, *Cincinnati*
Theodore J. Blase, *Cleveland*
Charles J. Bockenstette, *Cincinnati*
Joseph R. Bohn, *Toledo*
Alvin J. Bothe, *Reading*
Allen H. Brain, *Springfield*
Frank D. Burns, *Cincinnati*
Virgil K. Cameron, *Columbus*
A. B. Campbell, *Leesburg*
John W. Carmack, *Cleveland*
L. L. Cunningham Sr., *Bellaire*
Marion M. Diehl, *Canfield*
Fred H. Diekmeyer, *Cincinnati*
Frederick E. Dorn, *Cleveland*
J. Walter Dornette, *Cincinnati*
C. James Dunne, *Ashtabula*

Charles G. Feiock, *Dayton*
Clarence B. Folkerth, *Columbus*
Virgil C. Fortney, *Wellington*
Clinton L. Gebhart, *Hamilton*
R. J. Goggin, *Ashtabula*
Dr. Don B. Hankey, *Bowling Green*
Jess S. Harris, *Caldwell*
Dr. Charles L. Hartsock, *Shaker Heights*
Andrew Hockstrasser, *Cincinnati*
Bert J. Hogan, *Youngstown*
Hugh H. Houck, *Findlay*
Dr. Arthur G. Hyde, *Massillon*
R. A. Jolly, *Bucyrus*
Joseph W. Kalna, *Cleveland*
John E. Kane, *Cleveland*
Paul B. Kemper, *Sidney*
W. J. Kennedy, *Shaker Heights*
Carl Kirm, *Lancaster*
Joseph E. Kitchen, *Sharonville*
Frank E. Koski Sr., *Ashtabula*
Albert Krumm, *Columbus*
Clifford Lindemann, *Cincinnati*
William J. Locke, *Mansfield*
Raymond H. Malchow, *Shaker Heights*
Stanton E. McFarren, *Brewster*
Edward L. McNamara, *Niles*
Edgar Menderson, *Cincinnati*
Bernard J. Meyer, *Cincinnati*
John E. Mills, *Cincinnati*
Elton A. Mollet, *Massillon*
Erwin J. Moster, *Cincinnati*
Albert G. Muckerheide, *Cincinnati*
Robert J. Murdock, *Cincinnati*
John L. Myers, *Westerville*
Fred J. Neely Sr., *Johnstown*
M. C. Nellis, *Lima*
Frank L. Nevius, *Springfield*
Fred R. Nicholas, *Circleville*
Cornelius O'Connell, *Cincinnati*
Frank Oglar, *Cleveland*
F. L. Pence, *Lynchburg*
Edward M. Peoples, *New Carlisle*
Frank P. Pudenz, *Cincinnati*
Herbert H. Razor, *Brookville*
David J. Rees Sr., *Girard*
Lloyd Sanborn, *Wooster*
Clarence A. Schnieders, *Cincinnati*
Adolf G. Simon, *Cincinnati*
Edward Spinneweber, *Jefferson*
Carl Sprigg, *Defiance*
W. Alton Stewart, *Steubenville*
Charles A. Swartz, *North Baltimore*
Dr. Asa H. Syler, *New Philadelphia*
Francis R. Todd, *Cincinnati*
Louis J. Tuke, *Cincinnati*
Charles D. Tyler, *Ashtabula*
Arthur C. Utrecht, *Cincinnati*
W. F. Vornheder, *Cincinnati*
Charles S. Weaver, *Xenia*
D. H. Wheeler, *Greenville*

Samuel R. Wigton, *Roseville*
 Fred F. Wilkison, *Cleveland*
 Joseph W. Wisterman, *Galion*
 Paul M. Yauger, *London*
 Rudolph M. Yemniker, *Cleveland*
 Norman H. Zeuch, *Cleveland*

OKLAHOMA

P. A. Bruner, *Muskogee*
 R. R. Corlett, *Cherokee*
 Jack Courtney, *Woodward*
 Arthur Wallace Hayes, *Muskogee*
 T. R. Keegan, *Lawton*
 C. E. Muchmore, *Ponca City*
 P. P. Pinkerton, *Sand Springs*
 Peter Rabstojnek, *Oklahoma City*
 O. R. Salmon, *Durant*
 J. N. Thompson, *Tulsa*

OREGON

E. N. Bellus, *Portland*
 Raymond P. Caufield, *Oregon City*
 Harold S. Hill, *Eugene*
 J. O. Johnson, *Hillsboro*
 Albert W. Ledbury, *Portland*
 Edgar Stipe, *Portland*
 Robert F. White, *Salem*

PENNSYLVANIA

John H. Auld, *Allison Park*
 W. E. Barclay, *Altoona*
 Harry S. Barton, *Bloomsburg*
 John Bender, *Philadelphia*
 Norbert F. Braun, *Pittsburgh*
 Graham Bright, *Wilkinsburg*
 George W. Burgner, *Morrisville*
 J. Ellsworth Campbell, *Indiana*
 Glenn Carley, *Sharon*
 Virgil Chirico, *Jeannette*
 E. William Diehl, *Chambersburg*
 Richard W. Fechtenburg,
Cornwell Heights
 H. W. Findley, *Pittsburgh*
 Harry H. Garber, *Pittsburgh*
 George A. Goebel, *Narberth*
 Charles L. Grant, *Philadelphia*
 Wesley Grauer, *Philadelphia*
 Herbert H. Hill, *Dallas*
 George A. Hunsberger, *Red Hill*

Wilbur M. May, *Sharpsburg*
 Frederick J. Miller, *Philadelphia*
 Herbert T. Moyer, *Lansdale*
 Ross Raymond, *Pittsburgh*
 Elmer F. Rehner, *Tarentum*
 Floyd D. Roof, *Ridgway*
 Elton L. Simmons, *Corry*
 William F. Stoecker, *Pittsburgh*
 A. A. Wenner, *Pittsburgh*
 George G. Young, *Philadelphia*

SOUTH CAROLINA

L. F. Abernethy, *Fort Mill*
 James L. Bryson, *Winnsboro*
 Joe W. Clark, *Columbia*
 Dr. C. E. Crosby, *Greenwood*
 John K. Hood Jr., *Anderson*
 H. T. Hopkins, *Hartsville*
 J. J. Matlock, *Chester*
 Clinton L. McCormac, *Bennettsville*
 F. W. McKeel, *Darlington*
 Irving Percy McWhite, *Lake City*
 William E. Miner Sr., *Columbia*
 Dr. C. E. Powe, *Hartsville*

SOUTH DAKOTA

Robert A. Marshall, *Aberdeen*
 A. R. Olson, *Beresford*

TENNESSEE

Charles A. Elam, *Covington*
 Hubert B. Jackson Sr., *La Follette*
 Lon B. Lett, *Humboldt*
 J. T. McCutchen, *Jackson*
 W. Jay Willingham, *Chattanooga*
 Nat T. Winston, *Johnson City*
 Eugene Younger, *Covington*

TEXAS

G. J. Casselberry, *El Paso*
 W. J. Fulwiler, *Abilene*
 D. G. Janssen, *San Antonio*
 Glenn R. Kincaid, *Gladewater*
 J. S. Pickle, *Jasper*
 Judge Ben H. Powell, *Austin*
 E. M. Preston, *Henderson*

UTAH

Charles C. Bintz, *Salt Lake City*
 Dr. A. C. Callister, *Salt Lake City*

VERMONT

Frank T. Cleary, *Windsor*
 Carl S. Hopkins, *Brattleboro*
 Reginald M. Martin, *Windsor*

VIRGINIA

Willis E. Cohoon, *Suffolk*
 James G. Earnest, *Richmond*
 E. E. Goodwyn, *Emporia*
 W. W. Halligan, *Clifton Forge*
 George D. Helms, *Bristol*
 J. N. Howard, *Portsmouth*
 William S. Mundy Jr., *Lynchburg*
 Julius H. Parmelce, *Arlington*
 Thomas Odell Scott, *Charlottesville*
 H. K. Sweetser, *Fredericksburg*

WASHINGTON

George H. Baird, *Bellevue*
 J. E. Burkey, *Tacoma*
 Frank A. Dupar Sr., *Seattle*
 Louis A. Vimont, *Chehalis*
 Jesse H. Widby, *Wenatchee*

WEST VIRGINIA

Robert A. Douglass, *Chester*
 M. W. Dugan, *Huntington*
 E. S. Parker, *Logan*
 L. A. Riggs, *Fairmont*
 Dr. Robert Wriston, *Beckley*

WISCONSIN

Stephan A. Bialecki, *Milwaukee*
 Arthur H. Biederman, *Columbus*
 Edmund A. Burki, *Milwaukee*
 Emil J. Burki, *Wauwatosa*
 August J. Eisenhut, *Racine*
 A. J. Fanta, *Manitowoc*
 W. David Gardner, *Milwaukee*
 Norman W. Gillis, *Milwaukee*
 John Houwers, *Sheboygan Falls*
 F. W. Jenkins, *Chippewa Falls*
 Gary H. Kamper, *Milwaukee*
 Joseph Kurtin, *Cudahy*
 Charles McKeown, *Milwaukee*
 Frank X. Pfaller, *Milwaukee*
 Dr. A. T. Smedal, *Stoughton*
 Walter O. Tredupp, *Milwaukee*
 Lester C. Tupper, *Sheboygan*
 Dr. Andrew J. Weber, *Milwaukee*
 John G. Wiemann, *Sheboygan Falls*
 Clarence G. Wolf, *Milwaukee*

WYOMING

Donald L. Holcomb, *Sheridan*
 G. R. Simpson, *Greybull*

CONVENTION RESOLUTIONS

presented by W. O. DuVall, Chairman

Atlanta, Ga.

THE HONORABLE JOHN F. KENNEDY

WHEREAS, This convention has been warmly greeted by the President of the United States in a message which emphasized the vital role our institutions have played in home financing and pointed the way to still further opportunities to better the housing of people in all walks of life; now, therefore, be it

Resolved, That the delegates to the 69th Annual Convention of the United States Savings and Loan League, assembled in Chicago this 20th day of November, 1961, express thanks to President Kennedy for his communication to this gathering; and be it further

Resolved, That the substance of this message be communicated in writing to every member institution of the United States League.

SOLIDARITY IN NATION'S PERIL

WHEREAS, Our country is threatened with mounting dangers from outside our borders, and we are living in what the nation's Chief Executive has described as "the most dangerous time in the history of the human race"; and

WHEREAS, The strength of the United States of America is basically in the productivity of our economy, which is unmatched anywhere else on the globe, and in the will of its people to forego personal privilege for national good; now, therefore, be it

Resolved, That the delegates to the 69th Annual Convention of the United States Savings and Loan League, assembled in Chicago this 20th day of November, 1961, pledge to the leaders of this nation their solidarity in support of appropriate policies necessary to maintain the strength and integrity of the United States and of its commitments throughout the world; and be it further

Resolved, That copies of this resolution be transmitted to the President of the United States and others responsible for the defense policies of the nation.

THANKING C. ELWOOD KNAPP

WHEREAS, C. Elwood Knapp has served as president of the United States Savings and Loan League during a crucial year in the affairs of the savings and loan and co-operative bank business, and in a year which demanded the utmost in leadership from the United States Savings and Loan League and from its leader and chief spokesman; and

WHEREAS, The United States Savings and Loan League during the year of Mr. Knapp's presidency contributed significantly to the protection and advancement of the savings and loan business through the successful defense of the business against unremitting attacks by competitor businesses and through successful efforts to strengthen the business and improve its services to the American people; and

WHEREAS, Mr. Knapp served as president during a year when the savings and loan and co-operative bank business enjoyed one of its best years in terms of growth and progress; and

WHEREAS, His stature as a savings and loan executive, his personal attributes of poise, integrity and judgment, his willingness to put the business ahead of any personal concern and his performance during a difficult and demanding year have distinguished every day of his administration; and

WHEREAS, His achievement and contribution as president were enhanced by the charm and gracious cooperation of Mrs. Knapp, who endeared herself to savings and loan people all over the country; now, therefore, be it

Resolved, That the United States Savings and Loan League, assembled in this 69th Annual Convention in Chicago this 20th day of November, 1961, tender to President Knapp its appreciation of his service and its affection for him and for his gracious lady.

THANKING CONGRESS FOR SAVINGS AND
LOAN LEGISLATION

WHEREAS, The 87th Congress enacted five major laws which made substantial improvement in the federal statutes concerned with savings and loan institutions; and

WHEREAS, These enactments substantially improved the framework within which an increasingly important savings and loan business can make its appropriate contribution to the national welfare; now, therefore, be it

Resolved, That the delegates to the 69th Annual Convention of the United States Savings and Loan League, assembled in Chicago this 20th day of November, 1961, express thanks to the members of the 87th Congress for these notable advances in adapting savings and loan statutes to the needs of the 1960s; and be it further

Resolved, That the United States Savings and Loan League extend thanks to the Honorable Brent Spence of Kentucky, the Honorable Albert Rains of Alabama, the Honorable A. Willis Robertson of Virginia and the Honorable John Sparkman of Alabama, who sponsored these legislative programs, as new links in the chain of helpful savings and loan legislation which they have supported over a period of years.

THANKING MEMBERS OF HOUSE FOR TAX TESTIMONY

WHEREAS, Certain members of the House of Representatives took the time and submitted testimony, in person and in writing, in support of the tax position of savings and loan institutions at hearings before the House Ways and Means Committee; and

WHEREAS, Testimony by House members carried a special impact because it came from legislators themselves; now, therefore, be it

Resolved, That the United States Savings and Loan League, assembled in its 69th Annual Convention in Chicago, November 20, 1961, express appreciation to these members of the House of Representatives for their timely and effective assistance in the maintenance of an equitable tax situation for the thrift and home financing institutions.

COMMENDING FEDERAL HOME LOAN BANK BOARD

Notably in 1961 the Federal Home Loan Bank Board has emphasized a forward looking approach to the potentialities of the savings and loan institutions. In a series of regulatory changes the Board has opened new opportunities for lending. Among these are:

1. The percentage of total savings which an association may borrow from its Federal Home Loan Bank for mortgage expansion has been raised to 17.5%.
2. Loans up to 90% of value by federal associations, and by state-chartered associations where permitted by state law, have been opened up to builders; they have been authorized for terms up to 30 years, have been made available for homes up to \$25,000 in value and may now constitute 20% of an association's assets.
3. Loans for acquisition and development of land are now permissible under a much wider variety of situations, and associations may make as large a volume of these loans as the statute permits.
4. Authority to sell participations in mortgage loans has been expanded to include pension funds and other specified outlets not insured by the Federal Savings and Loan Insurance Corporation, the selling mortgagee's retainer factor has been reduced to 25% and the seller need no longer confine his participation sales to loans on properties within a 50-mile radius of the home office.

These changes and other refinements in regulatory language have played a significant role in bringing savings and loan lending currently to 45% of home mortgage recordings, the largest proportion of total home lending ever accounted for by our institutions.

The Board took a forthright stand for the existing tax status of associations when the Treasury Department last summer presented alternative and inequitable tax proposals. It helped develop, and supported, legislation to strengthen the Federal Savings and Loan Insurance Corporation and modernize the system for the election of Federal Home Loan Bank directors which became law this year.

In internal operations the Board recently made plans for additional research and information activities commensurate with the increased size and responsibilities of savings and loan, and has obtained sanction of these plans from the Congress in appropriations legislation.

The United States Savings and Loan League, in its 69th Annual Convention, commends the Honorable Joseph P. McMurray, the Honorable Ira A. Dixon and the Honorable Joseph J. Williams, the members of the Federal Home Loan Bank Board, for the major contribution they have made this year to the ability of savings and loan institutions to serve national needs. The League further commends Chairman McMurray for the leadership he has exercised toward greater prestige in Washington for the Federal Home Loan Bank Board and the activities under its direction.

The League directs that copies of this resolution be transmitted to the members of the Federal Home Loan Bank Board.

MAINTENANCE OF PRESENT TAX STATUS

The greatest issue which faces the savings and loan and co-operative bank business is the attempt of competitor commercial banking interests to throttle our progress and services to the American people by drastic changes in the savings and loan section of the federal income tax law.

The commercial banks, through their national organizations, pursued this program this past year and are continuing to pursue it even though it is quite evident that their ruinous tax programs for the savings and loan business would have a drastic effect on the ability of Americans to achieve their home ownership ambitions, would adversely affect the economic health of this country, and would seriously weaken the financial strength of the savings associations and the mutual savings banks.

During 1961 the principal organizations of commercial bankers united to impress upon the United States Treasury Department and the Ways and Means Committee of the House of Representatives their contention that the reserve allowance of the savings and loan institutions should be reduced to the inadequate levels which the tax laws and regulations provide for commercial banks. They have advocated this drastic course in spite of the fact that for many years prior to 1961 the commercial banks pleaded that these levels of reserves were inadequate for the safety and strength of their business.

The United States Congress wisely deferred approval of any semblance of the commercial bank program for the savings and loan business. Congress acted on the basis of reports from several of the most interested federal agencies, which emphasized the severe economic impact of any change in the savings and loan tax law.

We believe that Congress realizes that any change in the savings and loan tax law will affect the flow of savings into our institutions by several billion dollars and would result in a substantial decrease in the home financing capabilities of our institutions at the very time they would be girding themselves to meet the greatest demand for home financing ever experienced.

Enlightened self-interest and public welfare dictate an unswerving course for our institutions. We must combat the selfish, competitively inspired proposals of the commercial banking business with every means at our disposal.

The United States Savings and Loan League pledges an unremitting fight to maintain the present equitable and entirely justifiable tax status of the savings and loan institutions. It calls upon all member institutions to exert their influence in defense of the present tax status so that they may maintain their financial strength and meet the home financing needs of their communities. The League respectfully petitions the Congress to reject tax proposals which could establish a new inequity in tax burdens prejudicial to the savers and home owners of the nation.

LEGISLATIVE AIMS

Every business deeply affected by the public interest must reconcile itself to legislative changes from year to year as part of its pattern of existence. Financial institutions such as savings and loans, managed by private citizens but holding charters from the state or federal government, have special reason to face this fact of life. They must, by the same token, be prepared with legislative programs of their own to assist the lawmakers in developing the statutory framework which will make them effective instruments of contemporary society. The major legislative responsibility of savings and loans is toward the dual objective of greater financial strength and greater usefulness to the citizens; for an \$80 billion business, no lesser objectives are admissible.

The United States Savings and Loan League, assembled in its 69th Annual Convention in Chicago this 20th day of November, 1961, views with satisfaction the progress made toward these aims through the 1961 legislation sponsored by the League, adopted by the Congress and approved by the President of the United States. It likewise applauds significant advances in state legislation sponsored and brought to enactment by efforts of state leagues in 1961. It sets before leaders particularly charged with responsibility for legislative programs the imperative of continuing to make financial strength and greater usefulness the objectives of all such efforts.

NEW DIRECTIONS OF THE SAVINGS AND LOAN BUSINESS IN THE 1960s

A new set of social and economic circumstances, in contrast to the previous decades of the 20th century, now surrounds every business institution in the United States. The characteristics of daily life in urban America have changed emphatically from those of the years immediately after World War II. The savings and loan institutions, whose function in the economy is tied inevitably to the pattern of urban living, can expand their services in many new directions, while maintaining their traditional major concern with the providing of shelter. Over a period of 130 years these institutions have adapted themselves to many changes in their social and economic environment; moreover, the new challenge comes when they are better prepared than ever before to make well-grounded decisions and to use bold initiative.

The United States Savings and Loan League, at its 69th Annual Convention in this second year of the 1960s, emphasizes to its member institutions that new opportunities are already at hand. They exist in the field of homes for the aging and retired, nursing homes, land development for future residential building and the construction of new properties, as well as the rehabilitation and conservation of older properties in the great urban renewal undertakings of our cities.

The United States League reminds its members that ours are still the only institutions which are specialists in home financing and that this uniqueness places upon our nearly \$80 billion business a recurring obligation to see how that specialty may serve in ways not thought of before. It urges upon the leaders of the business at both the state and national levels a continual scrutiny of the need for legislative changes which will permit associations to meet new opportunities for service in achieving the home ownership ambitions of the American people and a better and better housing standard for all.

ECONOMICAL HOME FINANCING

The overwhelming odds in favor of home ownership which existed when the nation was catching up with a prolonged housing shortage no longer prevail. Families now weigh more carefully the choice between owning a home and renting. Therefore an era has begun when the public interest calls for new incentives for home ownership.

Economical home financing is always a primary inducement to home ownership. Savings and loan institutions have demonstrated their ability over a long period of years to offer attractive terms to home buyers, and in 1961 a number of institutions reported costs of home financing in the third quarter lower than at the beginning of the year. This progress in making home ownership more economical took place despite a definite business uptrend and some firming of long-term money rates generally. The ability of associations to offer this 1961 brand of economical home

financing is traceable in some measure to abstention from dividend rate rises, since what an association must charge for its money is directly related to what it pays for it.

Even though a possible interest rate rise is forecast, the United States Savings and Loan League calls on its members for continuing scrutiny, over the next few years, of the cost of money to home buyers. In the cause of making home ownership more attractive, the League suggests that savings funds should be obtained at a minimum cost commensurate with thrift incentives and that operating costs should be pared wherever possible. Avoidance of higher costs of money to the home buyer should be a minimum goal, with determined efforts to lower costs wherever possible.

THE 30TH ANNIVERSARY OF THE FEDERAL HOME LOAN BANK SYSTEM IN 1962

WHEREAS, 1962 will mark the 30th anniversary of the establishment of the Federal Home Loan Bank System; and

WHEREAS, This event was a major breakthrough for the savings and loan institutions into new financial strength and size and into a vastly expanded ability to foster thrift and home ownership; now, therefore, be it

Resolved, That the delegates to the 69th Annual Convention of the United States Savings and Loan League, assembled in Chicago this 20th day of November, 1961, take note of this anniversary, recognize the significant contribution which was made by those leaders of our business who were responsible for the passage of the Federal Home Loan Bank Act and suggest appropriate emphasis upon the 30th anniversary year by the 11 Federal Home Loan Banks and the Federal Home Loan Bank Board.

THANKING COMMITTEE MEMBERS

WHEREAS, Participation in the committee activities of the United States League reached new heights of dedicated service in 1961, when 1,800 savings and loan executives served on the 20 standing committees; and

WHEREAS, Many significant contributions to the progress of the savings and loan business and to the service program of the League originate in the deliberations of committees; now, therefore, be it

Resolved, That the League, assembled in its 69th Annual Convention in Chicago, November 20, 1961, express appreciation to members of the League's standing committees for the time they have spent and the good counsel they have given in the development of committee programs.

THANKING GUEST SPEAKERS

WHEREAS, The 69th Annual Convention of the United States Savings and Loan League has benefited by having numerous speakers from outside

the savings and loan business who contributed knowledge, experience and inspiration to enhance the value of this meeting to the delegates; now, therefore, be it

Resolved, That the delegates to the convention assembled this 20th day of November, 1961, in Chicago, tender thanks to the guest speakers; and be it further

Resolved, That copies of this resolution be transmitted to each of the guest speakers personally.

THANKING THE HOST CITY

WHEREAS, The 69th Annual Convention of the United States Savings and Loan League has been held in Chicago, the headquarters city of the League for 31 years, and the delegates have thus had an unusual opportunity to become acquainted with the physical facilities of the League; and

WHEREAS, The amenities of this great midland city as a gathering place have been particularly evident during this period; now, therefore, be it

Resolved, That the convention delegates, assembled on this 20th day of November, 1961, express thanks to the officers of the host city associations, to the staff of the United States Savings and Loan League, to the officials of the city government and to all others in Chicago who have extended service and hospitality to them.

THANKING THE PRESS

WHEREAS, The statements and events of the 69th Annual Convention of the United States Savings and Loan League have been reported in the public press and on the major networks of radio and television with commendable accuracy and to an extent commensurate with the significance of the savings and loan business in the nation's life today; now, therefore, be it

Resolved, That the convention delegates, assembled in Chicago this 20th day of November, 1961, express to the newspapers, periodicals, news wire services, and television and radio stations of Chicago appreciation for their cooperation.

**TOPICAL FORUMS AND
BREAKFAST MEETINGS**

ADVERTISING AND PUBLIC RELATIONS FORUM

Michael A. Burdzy, St. Louis, Mo., presiding

SAVINGS AND LOAN FOUNDATION PROGRAM*

by William K. Divers, President

The Savings and Loan Foundation, Washington, D. C.

JUST 10 YEARS ago a group of savings and loan executives, including Norman Strunk and Bob Perrin, met in Chicago, and out of that meeting grew the national advertising program of our business. Four years later, our first ad appeared [slide 1]. It may not look like much of an attention-getter today, but some of our early ads were effective and aroused considerable interest in our business and in our services.

From its inception, the Foundation has always been aware of the necessity for educating the public leaders, the decision-makers, about our business and the important part it plays in our economy. We tell the story of the savings and loan business as a business, something that the individual association does not do, and seldom can afford to do, as well.

Now, with this brief background, I should like to review the results of our television shows this year and tell you about our national advertising program for 1962.

Our first television show in 1961 was our sponsorship of the first match of the East-West All-Star Football Game. Our show had a Nielsen rating of 19.6, with a 44% share of audience, and a third ranking among all the postseason games. In addition, we had an estimated 32 million viewers at a low cost per thousand. We also had the satisfaction of contributing a substantial amount to hospitals for crippled children. This year we hope to make arrangements to emphasize what the savings and loan business is doing through these contributions to this worthwhile charity.

An unusual opportunity was presented to us this year in connection with the inaugural ceremonies. CBS was looking for a top-flight sponsor, and we wound up with 14 minutes in which to tell our story to the public in a governmental setting and, with appropriate commercials, to get across our message of the FSLIC protection of savings. We had a good share of the audience, we had no other sponsors to contend with, and we had an excellent atmosphere for our advertising. Although Huntley-Brinkley had a larger share of the audience, our

*A slide presentation.

cost on NBC would have been more than twice as much. The commercials were more frequent, and no adverse comments were heard about the type of sponsor and commercials. We had a first-class show at low cost and we were proud of it.

Our next show was "The Real West," narrated by Gary Cooper. We had an estimated audience of more than 17 million families, a share of 44.7%. The show received unusually good reviews in many papers, also international recognition. It was a good investment. Our advertising agency recommended that we show it again, believing we would get almost as large an audience the second time and at a low cost. However, our trustees are of the opinion that it is better to spend your money on something new, even though it may cost a little more.

When we sponsor a television show, we supply our members with various tie-in materials which help advertise the show, help build the audience and add more millions of viewers who learn more about the savings and loan business. So it is good business for all of you to promote the Foundation's TV shows strongly.

It is difficult for a small television advertiser such as the Foundation to find suitable shows. Here are the criteria we apply in spending your money: You must remember that even though we spent \$600,000 this last year for television shows, it brought only 4/100 of 1% of the total network time available. However, as our budget increases, we intend to devote a larger share to television.

NEXT YEAR'S ADVERTISING PROGRAM

Now let us look at 1962, which will be our eighth year of national advertising. Our allocation to television will be increased next year and will allow us to do two one-hour shows on prime evening time, in addition to our sponsorship of the East-West game for the fourth consecutive year and the 27th Annual East-West All-Star Game, the second oldest postseason game. Again, in 1962, we will use *Reader's Digest*, the monthly magazine with the greatest circulation, the greatest readership and ideal editorial content, as background for our message.

Incidentally, I have been visiting with the editors of all the publications in which we advertise and have been telling them the story of the savings and loan business. As a result, we expect to receive greater editorial support for thrift and savings and private enterprise housing.

We will again place ads in the *Saturday Evening Post*, but on a reduced scale. We have been educating this audience about our business for seven years, and we are reducing our schedule to an occasional reminder.

We are also using *Life* magazine again. This is the largest of the weeklies, and it has a lot of busy people as its readers. Its readership is probably closest to the TV audience in characteristics, except for income. *Life* readers have a substantially higher income.

We did not use *Look* in 1961, but we are restoring it into our magazine schedule in 1962. It has been growing faster than other weeklies,

as has also the type of family readership which is desirable for our advertising.

This is our January ad [slide 2]. The headline says: "A Happy New Year Dividend To 29 Million Americans!" The text reads: "This month the nation's dependable mailmen will help deliver the good news of a thrift dividend to 29 million people—earnings on savings accounts at insured savings and loan associations. This is another generous reward for thrift to people everywhere in America. You can share in future earnings. Start the new year right by opening your savings account at an insured savings and loan association." The signature is: "The insured savings and loan associations—members of the FSLIC, a U. S. government agency."

Our advertising agency is showing real creativity in the ads for our consumer magazines. Here is a beauty, our February ad [slide]. The title is "Book of the Year." When our members back this up with extensive use of our tie-in materials, it should be a knockout.

We are providing a background for your local advertising. Although we spend only 2% to 3% of the total money spent by our business in advertising and promotion, I think you will agree that it is a very productive investment.

The largest and smartest advertisers know the value of national advertising. When you are members of the Foundation you are identified in your community with an attractive and effective national advertising program, and all the beautiful Foundation ads in the prominent magazines will be a fine source for a plentiful supply of tie-in material for Foundation members, stimulating your own advertising and promotion.

A newcomer to our magazine schedule in 1962 will be *Senior Scholastic Magazine*. We are bringing your message for the first time, by means of national advertising, to the senior high school students in most of the high schools throughout the United States. A recent survey disclosed that two out of every three students graduating from high school and owning savings accounts opened the savings accounts in commercial banks. We will try to reverse that ratio so that two out of three will use savings and loan associations.

This advertising is relatively inexpensive and is experimental. We hope it will result in a greater use of the excellent educational materials prepared by the U. S. League.

This slide shows your hard-working trustees, who get no directors' fees but who devote more than two weeks of their busy lives each year to look at every ad and guide your advertising program.

MOST IMPORTANT PHASE OF PROGRAM

Now I want to tell you about the most important part of our program for next year. Again we are going to sponsor a series of ads in the news magazines, business magazines and all the magazines I am showing you [slides]. In these ads we will tell the story of the importance of the

savings and loan business to our national economy and to your communities, the story of the more than 1 million families whom you helped to buy or build their own homes this year, the story of the more than 36 million Americans who use our convenient thrift or home financing facilities.

We will tell the businessmen of our country about the millions of jobs our business creates with the more than \$15 billion we will lend this year, about the jobs created not only on the site but also in the forests, the mines, the factories and in the field of transportation. This audience not only is influential because of its attitude toward our business, but the readers also have substantial assets and substantial savings accounts. They also control and direct the investment of large amounts of money belonging to others.

We hope to remove misconceptions about our business which may be held in some circles by telling our story directly to the editors and publishers of newspapers of all sizes. We are spending a small percentage of our budget for advertising in the trade publications in the newspaper industry, in order to reach the men who have so much to do with the formation of public opinion.

By means of ads like these, we will educate the leaders in business and government in the important role our business plays in the lives of the American people. We want to show how much better it is to have a healthy and vigorous savings and loan business, promoting thrift and home ownership, raising the capital we need to provide housing with private funds and adding billions of dollars a year to our gross national product.

Yes, this may well be the most important part of our advertising program for next year, and many of the institutional ads we have already run will be good background in preparation for it. Our Thanksgiving ad is a nine-panel ad that tells all the things we should be grateful for. It apparently has made a great hit, particularly with school-teachers, because we have been flooded already with requests for reproductions. This ad [slide] appeared in *Life* and *Saturday Evening Post* this week. We are very proud of it. We also hope you liked the ad we showed in October [slide], entitled "The Business That Builds Better Communities."

URGES FOUNDATION MEMBERSHIP

I cannot close without a commercial, so here it is: If you belong to the two-thirds of our business which is supporting the Foundation, thank you for your support and your continuing cooperation in subscribing to our national advertising fund.

If you are not yet a member of the Foundation, then on behalf of our more than 2,000 members and on behalf of the two-thirds of our business which is supporting the Foundation, I ask you to join and to share in the 1962 cost of telling the story of "The Business That Builds Better Communities."

TRUTH AND ETHICS IN ADVERTISING

by Willard Thompson, Assistant to the President
University of Minnesota, Minneapolis, Minn.

AT THE OUTSET I shall speak about all advertising. I think this is important because your advertising is dependent for its effectiveness on the attitude of all the people toward whom all the advertising is directed. The topic "Truth and Ethics in Advertising" is particularly to my liking, although there are those who will insist that it is a contradiction because there is neither truth nor ethics in advertising, and that advertising is the language of competition.

My interest in truth in advertising came out of a decision to write a doctoral dissertation at the University of Illinois in which I developed a historical treatment of the efforts of the advertising industry, the advertising people and the media to regulate themselves; to develop standards of practice that would be acceptable to those to whom the advertising is directed; and, more important, to obtain some degree of adherence to those standards by those who create, publish, broadcast and pay for the advertising. It has been a fascinating study.

If some day you would like to see yourself in another clime and another setting, go off to a library and browse through the bound volumes of *Printer's Ink*, *Advertising and Selling*, *Advertising Agency*, *Sales Management* and other magazines relating to the advertising industry. You will find there are many old friends. There are the critics with their complaints of the excesses and abuses of the industry; the defenders, mounting the same defenses that have been raised so many times; the same clarion calls for leadership and new levels of ethical behavior; the same codes and standards of practice that have grown so ponderously, been blazoned so handsomely and displayed so proudly on office walls. You will see repeated time after time after time—it does go in cycles—the same process of unfair competition and the black sheep of a given industry making life difficult with their abusive tactics.

CAPSULE HISTORY OF ADVERTISING

As you know, the business of advertising is not precisely new. It had its beginning way back in history—just where, no one really knows. The Babylonians used it, as did the Phoenicians, the Greeks and the Romans. Lacking paper and printer's ink, they carved their legends in blocks of stone and tablets of clay.

The advertisements they created were not too unlike the ads today. They were perhaps a bit more direct and less wordy, but there was much the same awareness of basic appeal and even an innate awareness of motivation. For the most part they appeared to be truthful, although it is rather difficult at this point to compare the merchandise in the

claims. They were mainly statements of fact. Somewhere along the line, however, hyperbole crept in; by the late 1600s the fine art of exaggeration had been developed in England; and as early as 1711 the testimonial had made its appearance.

It was not long before this type of advertising found a home in the United States. Eager practitioners sharpened and refined the techniques until, in the period following the Civil War, *caveat emptor*, or "Let the buyer beware," was a predominant philosophy, and the consumer was left to fend for himself. In those early days patent medicine manufacturers, swindlers and promoters of lotteries dominated the advertising scene, lending spice to it all with the personal advertising which filled many newspapers.

Printer's Ink was led to comment: "There is too much truth in the assertion that it is the advertisers who promise the impossible against the heaviest trade." The *Boston Home Journal* editorialized: "No one succeeds so surely in this life as the man willing to gull the world." I am not sure the same philosophy does not hold good in certain areas today, as witnessed by the carnivals and the many other enterprises that tour our nation, offering something for nothing and really giving nothing for all that you have.

POLICING BY THE INDUSTRY

With all the abuses and misuses, fortunately there were those who saw the difficulties inherent in advertising that is not truthful. The first efforts at this were lost somewhere back in antiquity, but about 75 years ago they could be seen again. They arose out of the abuses in the closing years of the 19th century.

There were efforts to police the industry itself, and in substantial measure those first efforts to bring about an improvement in standards came from the media and from the advertisers, who recognized that only by eliminating fraudulent practices and advertising in poor taste could they hope to gain acceptance for advertising among responsible members of the business community. In the years that followed, other efforts have been made by those within the industry—the media, the advertisers and the agencies. But for the most part these efforts have been spasmodic and have been triggered more often by the threat of legislation or administrative action by some governmental agency than by any great pangs of conscience.

A major exception, and the most impressive example of what can be done within the industry, came shortly after the turn of the century. The Associated Advertising Clubs of America, meeting in Boston in 1911, launched a crusade for truth in advertising. Their goal was quite simple: to educate the advertisers to the fact that there is only one kind of advertising that will be permanently profitable, and that is truthful advertising.

They formed vigilance committees to police the advertising industry in those cities in which the clubs existed, and these dedicated few

proved amazingly effective in eliminating a substantial portion of the fraudulent practices. In time the vigilance committees gave way to the Better Business Bureaus, the agencies which through the years have contributed so greatly to the protection of both the customers and the sponsoring advertiser.

It was an amazing example of what people within an organization can do, once they are convinced of the importance of truth. Unfortunately, the truth crusade ran its course. And while the Better Business Bureau has remained as the professional conscience of the business community, the advertising industry, particularly the advertisers and the agencies, has contented itself with occasional expressions of alarm; frequently revised codes of ethics, used largely in the decoration of office walls; and spirited speeches while in solemn convention, or not so solemn convention, as the case might be.

Meanwhile, many within the industry have taken on a persecution complex. This has been coupled with a distressing reluctance to accept the responsibilities that accompany the role of the special pleader and with a remarkable facility for "beating the game," until the morality of the marketplace has become a thing of hidden meanings, innuendoes and half-truths, with advertisers seeking to stay just this side of the law, or just this side of the codes which are designed to permit them to get away with as much as they can without penalty of the law.

TACTICS OF SOME DRAW CRITICISM UPON ALL

So while there have been tremendous improvements in the quality of advertising in the past 75 years, the tactics of a substantial portion of the advertising industry still draw criticism upon the industry and upon all commercial enterprises.

And this is the most important factor of all: If the people who read your ad do not believe it, how can you hope to persuade them to your way of thinking? This becomes particularly true when the thing you are trying to do is to persuade them to put their funds in your safe-keeping. I know of no operation more demanding of confidence and truth.

There are some who will say, "What difference does it make whether the consuming public has confidence in me, so long as it buys my product or uses my service?" They will point to the many successful campaigns built on sheer fantasy which sold enormous stores of the goods advertised. They will point to the man who ridicules the commercial and expresses contempt for the advertiser, but rushes upstairs to brush his teeth with the product advertised. They will insist, "You can't argue with success." To which I would answer, "Capone was a success, if you measure success in terms of power and wealth." This seems to be the criterion on which much of our society operates today; many, judged by this criterion alone, have been a success but I doubt that you would want your own sons and daughters to emulate their practices.

Please do not misunderstand. I am not likening all advertisers or all persons in advertising agencies to gangsters and hoodlums. What I am trying to say is that you *can* argue with success, that what really is at stake is the matter of moral principle and that it is upon moral principle that the whole fiber of our country rests.

In almost every high school gymnasium in the land you will find the words: "It matters not that you win or lose, but how you play the game." You may say that is for kids. I think it holds true for all mankind. It is the sort of thing that has caused Secretary of Commerce Luther Hodges to have great confidence in the ethics of the marketplace, the ethics of business, and to appoint a committee that will somehow find a way to higher ethical standards for all of industry.

How necessary is this? Let me point to just one example. Recently Paul R. Dixon, chairman of the Federal Trade Commission, speaking before the Association of National Advertisers, had this to say: "We [the Federal Trade Commission] had very recently taken action to halt misleading advertising by such not so little companies as General Motors, Ford, and Chrysler. They have agreed henceforth not to misrepresent mileage claims for their compact cars. Now, those against whom action has been taken or is being taken include Colgate-Palmolive for toothpaste claims, Eversharp for deceptive television demonstrations, Sears Roebuck for misrepresenting prices, Standard Brands for misrepresenting oleo on television commercials, and R. H. Macy & Company for misrepresenting its pricing on automobile seat covers."

Obviously it is one thing to be accused and another thing to be convicted, and Mr. Dixon did not say the companies were found guilty of these practices. But does it not seem strange that great companies such as these, headed by distinguished industrialists, should find themselves accused of business tactics that are essentially petty and cheap? Does it not seem strange that men who are impeccable in their personal relations and who insist on similar standards among their associates will lend their names to public deceit? If these charges are true, that is precisely what it amounts to, for no advertisement appears in print or is broadcast without the consent of an advertiser. And whether or not the president of the company or the chairman of the board refuses the final copy, he cannot dodge some share of the responsibility for what is written and what is said about his company and its products.

DOUBLE STANDARD OF CORPORATE CONDUCT

Now, I know and you know that in a highly competitive industry or a highly competitive system of free enterprise, men can be expected to strive for profit. That is basic to the system. But when that striving brings honorable men to accept a double standard of personal or corporate conduct, whether secretly or in open agreement, and to lend their approval to tactics that can only be termed deceitful, then the system seems in need of major surgery.

The problem does not lie in advertising practices alone; they are only

symptomatic of a far deeper disturbance that plagues the body corporate. Henry Ford II, in his recent and widely publicized address, acknowledged this when he spoke of the things inherently dangerous in the attitudes and behavior of corporate life.

What are some of these? In the July-August issue of the *Harvard Business Review*, the Rev. Raymond C. Baumhart had an article entitled "How Ethical Are Businessmen?" It was based upon a survey in which businessmen were asked, among other things, "What businesslike practices would you like to have eliminated?" There were quite a number mentioned: gifts, gratuities, bribes and call girls, 23%; price discrimination and unfair pricing, 18%; dishonest advertising, 14%; miscellaneous unfair competitive practices, 10%; and so on down the line.

It is interesting to note that advertising, despite the many, many criticisms directed toward it and the attention it has received, was not at the head of the list. However, industry achieves its greatest visibility through advertising. It follows, then, that the practices of the industry and the great competitive system can most readily be judged through advertising, and that the obligation of advertisers to maintain the highest standards of truth becomes increasingly vital.

IMPECCABLE HONESTY ESSENTIAL

How is this to be achieved? The burden rests with you. It remains for you, as persons responsible for the advertising programs of your institutions, to insist on standards of truth in advertising as rigid as the standards you insist on in every other aspect of your business. It means resisting the temptation to stretch a point. It means avoiding the half-truth, the weasel word, the innuendo. Instead of simply saying, "We are bigger, we are better," it means that you tell how and why you are bigger and better, and let intelligent people draw their own conclusions. It means impeccable honesty in all things that you do. Now, is that such a revolutionary concept? Not really, although many advertisers seem not to recognize it.

I wrote to a number of savings and loan associations that advertise in *Time* magazine and received handsome brochures extolling the virtues of their respective institutions. Actually I could find little fault from the standpoint of truth or lack of it. Consider this meaningless little gem: "Our relatively low operating costs permit us to pay higher dividends." Relative to what? Higher than what? The ads put it: "Higher than the averages of the others." Actually, what it boiled down to was this: They would pay me 4½%, the current dividend rate; it was safe, it was convenient, and they would pay the postage.

There was considerable information on how to invest, and why and to what extent. This was excellent and, to my mind, quite accurate and helpful. I profited from it all, and it gave me a valuable insight into the savings and loan business. So, in this role, it served all of you well.

Checking through the newspapers of various cities, I found a great

assortment of savings and loan advertisements and considerable use of premiums. I did not invest, so I did not collect and cannot report on the quality of the gifts, but I wonder how valuable premiums really are and what you really buy when you buy a customer with them. He is a premium shopper, and who will buy him away from you? And how will you buy him back?

Premiums can be insulting, too. When we opened our account in Minneapolis we received a ball point pen, and I thought to myself, "Is this the greatest value they place on my business?" It would have been better to have had nothing.

I understand that the associations on the West Coast have voluntarily agreed to encourage the state supervisor to adopt a no-premium regulation. I think that is an excellent move.

In going through the ads, I found an increasing use of the direct comparison—statements like "Why take less?" This can only lead to the worst kind of competition in print, with reprisal leading to reprisal until you end up at a point where lasting damage has been done to the entire thrift industry. People must have confidence in you if they are to invest their funds with you, and nothing destroys confidence more quickly than public name-calling, no matter what form it takes. Sooner or later you will reduce yourself to the level of the personal loan clan, and I am certain no one wants to be in that category.

There also is a widespread use of the meaningless comparatives "bigger," "safer," "stronger," "higher return." Eventually each association is tempted to become the ultimate—the biggest, the strongest, the safest. This can only result, as in the story of the little boy who cried "Wolf!" too often, in people paying no attention at all. How on earth can *everyone* be the strongest and *everyone* be the safest?

Such expressions are clichés. They are the crutches that advertising copywriters too often use when they will not face up to the fact that to be an effective copywriter calls for hard work and creativity. By "creativity" I do not mean "fantasy." Fantasy serves no other purpose than to fill space which, in the absence of meaningful copy, might more effectively be left blank.

SOUND ADVERTISING PHILOSOPHY

All of you should read the Dichter report, because it gives the answers to a sound advertising philosophy. Perhaps the single, most vital recommendation is this one on page 26, under "Improving and Strengthening Your Image": "Help overcome suspicion by explaining in as believable a form as possible why savings and loan associations can pay a higher rate on savings than can other competing savings institutions." Is that not really the crux of the matter? Is that not why people should put their money with you—because they want a better-than-average return? Certainly that is why I did.

Beyond that, the report says: "Build confidence by becoming a part of the community." Those are wise words. People like to do business

with those who are close to them and who they feel are part of their lives. Stress informality, friendliness, warmth. If you do not believe that is important, take a page from a bank in Minneapolis—a bank, mind you—which recognized that banks have a reputation for being cold and impersonal, and which now bases its whole program on friendly, helpful service.

An excellent advertising program of one of your own institutions in the same city has been designed to create such an image: "The Minneapolis Savings & Loan Association, a good tree to come to for shelter." The image is of an institution that has been part of the community for a long time, feels a responsibility for the community and for the people in it, and is anxious only to be helpful, friendly and of service.

One area in which you could encounter difficulties—and I tread on dangerous ground because I am somewhat uninformed—is that of insured accounts.

I am not concerned with whether the FDIC is more or less effective than the FSLIC; I am concerned with the degree of effectiveness of the FSLIC itself. An article in the October issue of *Fortune* outlines three types of savings accounts that are available and tells something about them. If what it said about the reserves available to the FSLIC is true, then in the event of a recurrence of 1929 you are advertising something that is not altogether meaningful.

I note from your president's address that there is the possibility of some improvement in these reserves as a result of legislation recently passed. If so, good. My point is this: In terms of credibility, in terms of confidence, in terms of the faith that people will have in you, it is more important to be certain the benefits of the FSLIC really exist than it is to quibble about the way you state the benefits.

POINT-OF-PURCHASE ADVERTISING

My last comment deals with points of purchase. The speaker who preceded me told of the excellent advertising program being carried out by the Savings and Loan Foundation, and he said that the Foundation is doing some of the kind of advertising that you at the local level find too expensive to do. You may find it too expensive in terms of the media purchased, but the story being told in the national ads must also be told at the local level, for the greatest credibility that exists in advertising comes at the point of purchase. The national advertiser learns early in his career that the effectiveness of his program at the national level is greatly weakened unless it is followed through at the local level with effective point-of-purchase advertising.

Summarizing, my main point is this: The burden does rest with you and it does remain for you, as persons responsible for the advertising programs of your institutions, to insist on standards of truth in advertising as rigid as those that prevail in every other department of the institution. What I have said has been in a spirit of helpfulness. You are going a wonderful job, but there is more to be done.

ESTABLISHING THE SAVINGS AND LOAN MANAGER AS THE FOUNTAINHEAD OF FINANCIAL NEWS

by Warren B. Pursell, Executive Director

*Cook County Council of Insured Savings Associations
Chicago, Ill.*

IN THE BEGINNING there was created a manager, who was a secretary, who was a teller, who was a new accounts officer, who was a loan officer, who was a bookkeeper. This manager knew his people; he knew their spouses, their children and their dogs. And these people knew the manager; they took their problems about money and about owning a home to him. He gave them advice; he told them when it was best to save and when it was best to buy a home. He had friends that numbered in the hundreds.

Then it came to pass that Hoover created the System and the Insurance Corporation. Our manager grew in importance. His friends now outnumber the sands on the seashore; they are so numerous they form a public, and he has many assistants who share his friends.

Our manager thought deeply about his friends, the public, and how he could no longer see all of them or meet all of them or talk with all of them. He was sorely vexed that he might not be the old friend, the adviser on problems. So there was created a new, modern tool—a way to keep friendly relations with his friends, the public. And it was called Public Relations.

As our parable ends, the problem of today begins.

How can the manager continue to fulfill the role of financial adviser when he has to deal with so many more customers? Is it worth while to fulfill this role? If it is, how do you do it? And if you do it, how do you know you are successful at it?

ASSOCIATION MANAGER AS A 'THOUGHT LEADER'

Let's take the question: Is there any purpose in being the financial and real estate adviser in your community? On the negative side, someone might suggest that you cannot run an association and coddle all the customers, or that it takes too much time or that too many people pester you now.

On the other hand, what could we hope to accomplish in this role? First, there is status for the association—the respect of your customers and potential customers. Second, there is the confidence of your customers in the safety of their money; they want to do business where they feel that their money is safe, and they feel it is safer with someone who is an authority. Third, you expand your circle of influence.

Notice that I always mention the potential customers along with your present customers, because this program is also a business getter. It builds traffic to your association. The best business will come to you first.

There are some additional benefits that have a bearing on how you will do business. If you have established your savings and loan as the source of financial information in your community, you have the ears and reading eyes of many people. You are what is known in public relations circles as a "thought leader." Being a thought leader, you can speak out and be heard on controversial subjects, such as whether lowering the 12% reserve would affect home financing in your community.

I might call your attention to the fact that this particular fracas has entered the public battleground. This year the conflict of ideas is being carried to the saving public by the antagonist. The next few months may see a battle of influence, a battle of abstract concepts, a battle of ideas. The antagonist will make various emotional appeals, reduced to terms he thinks will be identifiable by the public. Most of these statements will take on more of the emotional than the factual. An attempt will be made to reduce the ideas to simple slogans. There will be retaliations where the attacks take place. Each attack and counterattack will attempt to point out a weakness. Soon the public will be treated to a somewhat stark, stripped image of a financial institution. The prestige of both types of institution could suffer and public confidence could well be put to a severe test.

PUBLIC RELATIONS A LONG-RANGE ACTIVITY

If you have not established lines of communication, it may already be too late or you may be less effective than you would otherwise have been. You do not become a thought leader overnight, and public relations is a long-range activity that is not turned on or off on whim. When you have a legal or medical problem, you call in your lawyer or doctor to solve it. And when you have a public relations problem, you call in your public relations specialist; but it usually is already too late for him to solve it adequately, and it may then only be possible to take stop-gap measures. The solutions to public relations problems should be instituted before the problems arise.

Now, how does the manager fulfill the role of financial adviser?

He must become an expert in all aspects of thrift and home financing. He must be able to pick out trends and changes in trends. He must be somewhat of an economist. The press and the public look to the thought leader, the man with status, because he has more answers than anyone else and because, by his actions, he can bring about changes.

In developing a normal marketing program for his association, the manager will have gathered much material about the people in his community—their incomes, buying habits, saving habits and reasons for saving. He will note when people save more and spend less, and when they save less and spend more, and he will know why.

When the people in his community have doubts about the future, they will save more money and reduce their withdrawals. This is an important change in the economic pattern of the community. Charts showing the percentage increase each month on the beginning-of-the-month savings balances will indicate trends in gross new savings. Withdrawals may be charted the same way. These charts, coupled with standard metropolitan area and/or state-wide flow-of-money charts, show when either the gross new money or the withdrawals, or both, have changed their trend patterns. This is suitable material for the public relations department of the association to issue in a press release, quoting the manager as the top expert of the institution.

Chart the trend of loan commitments; when a noticeable decrease or increase takes place, watch for a change in the trend. Is there a change in the average size of withdrawals? News about withdrawals is not always bad; it helps to counteract the misconception that many people have about the difficulty of getting their savings back when they are needed. Chart your new construction loans and your existing home loans; whenever a change takes place in the charted trend, you have an important piece of information that should be reported to your public. And when a change takes place in mortgage rates, you have information that people want.

Now, these are trend stories, and your public relations man will know all about them. But the most expert public relations man in the world is not effective without an interested manager.

You also can report monthly statistics, comparing the month just ended with the previous month and the same month of the year before. But avoid too many statistics, because they can mesmerize the reader or create a mental block.

Your interpretation of this economic information is important. Statistical reporting can be lost because the editors or the public may not understand what a bare statistic means. If mortgage lending in one month, for instance, shows a percentage increase over the same month of the year before but is actually down significantly from all previous years, a reporter could draw an incorrect or incomplete conclusion based on a simple, routine month-of-one-year to month-of-the-year-before comparison. Further, people are primarily interested in their local area; your interpretations should therefore cover your market area or your sphere of influence.

SOME DICHTER RECOMMENDATIONS

Among the recommendations in the Dichter report is one about success. Everyone likes success and wants to be associated with success. Dichter says you should "enthusiastically proclaim the number of new customers, new savings accounts, homes financed and new assets you acquire each year."

The report further points out that one of the major problems of savings and loan is caused by our failure to explain how it is possible

for us to pay higher rates for money, so that people become suspicious and have doubts about the underlying safety and reliability of savings associations. Of course, there is nothing mysterious about why we can pay higher dividend rates: we invest more funds more profitably in prime, long-term home mortgages.

Here are a few recommendations the Dichter report makes that relate to the idea of the manager being the expert or authority on finance:

Fill the role as a community financial adviser. That is what we have been talking about.

Establish the head of the association as the authority on thrift and home financing. If anyone wants to know anything about either of these subjects, he should contact your association. If he calls on your banker about home financing, or your local stock broker about thrift or a savings program, then you have not established your institution as the temple of wisdom on these two subjects.

Take steps to enhance the association's stature as a financial institution. This entails not only improved public relations, but also increased management and employee understanding of finance, investments and commercial banking.

Convey to customers the feeling that you understand them, their savings problems and their saving psychology. Treat them in a more mature, sophisticated fashion. Emphasize the thought that the manager knows there are savings problems and that he can do something about these problems in news releases offering advice about specific savings problems or in talks on the subject at meetings.

Provide new goals for savings. Help the saver visualize specific goals and show how these goals may be attained.

Guide the association in the direction of serving the community as an institutional economic doctor for the public.

There are many other recommendations in the Dichter report, such as creating the feeling, by giving greater publicity to management, of real, live reputable people standing behind the up-to-now anonymous savings associations.

It takes a long-range program of public relations to accomplish these objectives. Establishing the manager as the local authority on home financing and thrift is a program, not an added duty.

PR PROGRAM HAS MANY FACETS

Of course this is only one aspect of a well rounded public relations program for the savings association. It should have a well established public relations policy, defined by the directors and management. The program must then be executed by a properly trained staff man, together with an "all hands available" feeling on the part of all employees. Quarters must be adequate. The public relations budget should be separate.

Press relations must be built and maintained. A home information center would be in order, and possibly a thrift center. A speakers bu-

reau should be established. A community relations program must be undertaken. Support of industry-wide programs is needed to make the individual programs more significant.

Many state leagues, and many regional and local leagues, have well established public relations programs. In public relations circles, it is well known that trade association statements are more readily accepted by the press than are statements made by individual members, because it is felt that the noncommercial trade group has less of an ax to grind than a single association and is not tempted to substitute advertising for publicity, representing as it does all the associations in the area. Press statements of trade associations on industry problems also carry greater significance than those made by an individual member.

GOOD PRESS RELATIONS ESSENTIAL

A good press relationship must be established. There must be a ready supply of reliable information available to the press. The trade group must be a news source, a place where a reporter can quickly get the facts and their interpretation. Such strategically located sources of information are extremely important to the savings and loan business, and require especially trained personnel who are experts in communication. They can also give guidance to their members in the field of public relations. Such a network of communications is invaluable when dealing with a national public relations problem.

If you are in a large metropolitan area and do not have a city trade group, it might be worth while to consider organizing one. It does not block out the program of the individual association but actually can make that program more significant. Whereas the individual association is concerned more with intra-industry competition, the trade group represents its member associations as an industry and thus is concerned with interindustry competition.

Now, how do you know your public relations program is effective?

When the reporters call your association for local comment about a new housing bill passed in Washington or for your opinion on the trend in mortgage interest rates; when the luncheon, civic and business groups ask your officers to speak at their meetings; when magazines request your people to write articles; when the public comes to your association for the answers—then you know that you are getting into the swing of an effective public relations program. Then you are what is known as a news source.

Your institution does not have to be the biggest in the world to influence the people in the area where you do business. People want leadership. Whether your area extends one mile or 50 miles, it is important to the people in your sphere of influence.

Let your light shine unto the world. "People do not light a lamp and put it under a peck measure; but on a lampstead, and it gives light to all that are in the house. Let your light shine before people in such a way that they may see your good deeds."

ASSOCIATION DIRECTORS FORUM

Walter H. Dreier, Evansville, Ind., presiding

ABOMINATION OR OPPORTUNITY?

A DIRECTOR LOOKS TO THE FUTURE

by Helge Holst, Treasurer and Corporate Counsel*

Arthur D. Little, Inc., Cambridge, Mass.

DIRECTORS AND OFFICERS must concern themselves not only with the day-by-day business of our institutions but with the assurance of their continuity and success in the future. While this is our responsibility, few of us are gifted with unusual foresight. Truly forward-seeing crystal balls appear to be few and far between! It is wise, however, for us to do our best to peer into the uncertainty of coming events and derive from the vision, however dim, whatever guidance we can that might benefit our institutions, our shareholders or beneficiaries, and our employees.

It is with this purpose and with complete modesty as to the certainty of our vision and perspective that I suggest that we jointly make this endeavor.

If we look backward a moment—and it can be a dangerous practice—it is evident that the country has experienced very substantial growth in the past decade and that with this growth have likewise come marked changes. Equally evident is the fact that while population grew by 18½% in the 10-year period 1950-1960, urbanization increased by an average of 28%. Such projections as are available for the coming decade, including reports of the Federal Reserve Bank, suggest that we will experience a further increase of 33 million, or 18.7%, in population between 1960 and 1970; an increase of 10 million, or only 13.6%, in the labor force; and an increase of 8-10 million, or 8.2%, in school enrollment. Personal income is expected to rise from \$385 billion in 1960 to \$612 billion in 1970, or 59%.

What does this mean? We are facing growth, we are facing increasing urbanization and we are certainly going to face increasing state and local government costs of up to \$15 billion, or 35%. And it means further that with the increasing population, the preference for living in city surroundings and the growth of these urban centers into ever-expanding metropolitan areas, there will be a continued change in the environments

*Mr. Holst is a director of Workingmen's Co-operative Bank of Boston.

served by our institutions. Those which are already in downtown locations can expect redevelopment of these areas to increase the density of the business population. There may also be an increasing residential population in new high-rise apartments in core areas. The speed of this development is, however, less certain.

Our institutions which up to now have existed in the suburbs can expect to see their neighborhoods change with the increasing shift of people from farm to suburb and with the transformation of suburb to urban and even downtown characteristics as the density of population and of shopping and service industries increases.

POSES QUESTIONS FOR SAVINGS AND LOANS

Such a shift in occupancy and character of environment will pose questions for our institutions. Do we know whether these changes will be helpful or harmful to our business? Can we be sure that the same kind of services from the same kind of premises by the same kind of personnel can be rendered all down the line? Can we continue business as usual, or will the changes in environment require changes in our services and methods of operation?

Can we afford to wait for others to pioneer, and then try to catch up? If we do not adapt quickly enough, will we lose our opportunities to competitors who move into the area or extend their services to meet the need?

Our expanding population is also including a considerably larger proportion of people of higher ages, who have a different kind and source of income from those in the general population. Clearly, these people will be less interested in separate homes and more inclined to live in apartments. Will such quarters be privately owned on a cooperative basis or will they be leased by professional landlords, and what does this mean to our savings and lending operations? Likewise, apartment dwellers are not substantially in the market for household appliances and garden equipment.

What will be the impact of this on our business as the peripheral areas which may be preferred by young householders with children move away from our established institutions and their branches? This is not to say that there will not still be many private homes, but will there be as many near our institutions?

COMPETITION FOR FUNDS AND CUSTOMERS

Not only is our population increasing; competition for funds likewise has been increasing. The last 10 years have seen a notable rise in the number and types of savings and investment organizations and in agencies which extend credit. In addition to savings banks and savings and loan associations, the financial community increasingly includes a diversity of commercial banks, insurance companies, pension funds, trusts of various sorts, credit unions and cooperatives, and in-plant banking

of various types, all of which seek savings or investments and in turn serve as sources of funds for borrowers. Many educational and charitable institutions now find themselves requiring investment opportunities for their accumulation of capital and have become sources of long-term mortgages, bonds or other loan arrangements in competition with our institutions.

At the same time, in their effort to extend their services and reach a wider market, a number of the existing commercial institutions make the appeal of being "department store" or "one-stop" banks where savings can be deposited, loans arranged and even investment trust matters handled. Since time is always short and parking never easy, these one-stop appeals have their effect.

Competition for customers has likewise been growing. For some of our lending institutions, do we not find potential customers lured away by the credit terms extended by sellers? Many of these arrangements can be made immediately at the time of purchase and are usually extended on an unsecured basis.

COSTS OF OPERATION RISING

In addition to facing changed environments and increased competition, all of our enterprises face rising costs. Many of these are likely to be accelerated by the swing from suburban to more densely developed neighborhoods.

Our premises are likely to cost more, if for no other reason than that new premises will have contemporary pricing rather than that of an earlier period. Similarly, an increased use of equipment will have its associated higher costs. Labor rates also will be higher, but actually we are not opposed to this because we wish to purchase higher levels of skills and productivity and because it is only through higher wage rates that we are able to contribute to a higher standard of living for our employees. Further, as we engage in more advertising and more active sales efforts, related costs are certain to rise.

Rising costs of operation, nearly all of which are inevitable if we are to keep pace with competition, must be matched by rising volume and by increased efficiency. But achieving larger volume and greater efficiency will by no means be automatic. It will require effort and skill and investment. However, without larger volume, our institutions will surely wither.

CRUCIAL PROBLEM AREAS AHEAD

In facing changed environment, competition and rising costs, and in seeking larger volume, here are a few of the problem areas which are likely to prove particularly crucial:

Size and location. Shall we relocate the parent institution or shall we establish some branches? But where, and what size? What will our customers be like? How can they be reached?

Services offered. What are the needs of our changed or new customers? If single-family dwellings are on the decrease in our immediate area, what will take their place as an outlet for our funds? Can we become of greater service to business activities as the shift to multiple-occupancy buildings occurs?

Taxes and regulation. Since municipal services will be on the increase along with all other activities of the community, their costs, too, will be rising. Hopefully, these higher costs will be met by an increase in the tax base. But if they are not, how will we cope with rising taxes? Since more government means more regulations, savings and loans will likewise be affected, particularly if we find it necessary to change the nature and methods of our business to cope with the changes in our environment and the needs of those we serve.

Need for changed legislation. If we are to be taxed more and more like commercial banks, or if commercial banks and other financial institutions encroach upon us more and more, or if neighborhood changes force us to consider major changes in our scope of operations, will we need significant liberalization of the laws and regulations which control us? Have we given any thought as to how these might be revised in our interest? Have we considered the political maneuvers that would be necessary to secure the passage of helpful legislation against anticipated opposition?

ABLE PERSONNEL IMPORTANT

It is clear that with the growth and change of our communities and with the increase in competition, we will be facing many problems not now visualized. The solutions to many of them will be far from easy. Presumably, our own institutions will grow in size and in scope if they have any success in overcoming their problems. Clearly, likewise, our personnel will be required to deal with a greater diversity and complexity of situations than in the past, and will be less able to be guided by past experience in taking sound actions in the future. Under these circumstances, the only salvation will be the ability of our staffs to make correct analyses and valid judgments.

New types of personnel at higher levels of ability are needed, and we must offer pay scales commensurate with talent. It has always been true that banks perform personal services. As long as these services were largely to act as depositories for the safekeeping of funds, a great range of talent was not called for. However, now that our financial institutions no longer serve merely as safe depositories, but seek to play an active role in the community and to find positive and creative opportunities for the use of their capital, we must attract and retain able individuals and give them the opportunity to find interesting and satisfying careers in the operation of our institutions.

Are we in fact aggressively seeking personnel of outstanding ability? Do we look for types of experience and competence that show originality and boldness? Do we consciously consider new sources and new

characteristics that might deal successfully with the unfamiliar problems of the future, or are we too prone to turn to the usual and momentarily comfortable? Let us ask, also, if we are offering salaries and other inducements that make our institutions attractive to the kind of personnel our business needs.

NEED FORWARD PLANNING IN DEPTH

We must do less looking backward, be less content with doing business as usual, and plan ahead to carve out a satisfying and creative future in the interest of our communities, our employees and ourselves.

Clearly, to deal with the many and varied problems and opportunities which will confront our business in the coming decade, there is need for as imaginative and careful planning as possible for all the functions of our institutions. Such planning will challenge the best vision and judgment of every member of the organization—employees, officers, and directors or trustees. Strength is needed in depth, and an active role in analysis, planning and implementation is demanded at all levels.

Is it sound to let our institutions fall behind others and be placed in the position where they frantically seek to catch up or to save themselves from extinction? Why should we not be leaders in our communities and thereby attract talented staff and, by demonstrated progressive actions, attract both deposits and customers. Let us do the planning, and not wait for others to pioneer and then catch up.

If our institutions are to cope successfully with the future, it would seem that their personnel at many levels should take an active part in shaping the future. Surely we can better know and understand the forces shaping our community and influencing our area by being active in the Chamber of Commerce, city planning commission and other agencies which are actually seeking to deal with, and influence constructive actions in regard to, pressures brought to bear on the community. In this way we can be forewarned of coming events in time to deal with them, and can perhaps prevent harmful changes which might result either from inactivity or from failure to bring forward more constructive suggestions.

To live up to our responsibilities to our community for both safekeeping and creative use of its resources, we should encourage our personnel to engage in these activities. They should do it not only as good citizens but as responsible members of their institution, for in helping to make a better community they are helping their business to grow.

COMPETITION, COMPLEXITY, OPPORTUNITY AHEAD

What, then, is the future which we see, even dimly? No one knows for sure. Every indication, however, is that with growth there will be an increased need for capital. And where there is a need for capital, there should be opportunity for the institutions which assemble capital and

make it available. Why should we not be in the forefront of those who are helping to create a constructive future?

There will likewise be increased competition and complexity. Our only hope of meeting and dealing with them is by means of staffs of adequate strength in depth and by positive planning of procedures, activities and types of operation which will meet the needs of the community and contribute to the development of a more desirable environment.

None of the required actions will be easy. All will be taxing of mind and body. Without them, however, we fail. Will the future be abomination or opportunity? Clearly, it is up to us.

THE EDUCATION OF A DIRECTOR

by Judge Robert S. Hunter*

Circuit Court, Eighth Judicial Circuit, Quincy, Ill.

MY COMMENTS TODAY are addressed primarily to those of you who, like I, are "outside" directors and have no regular employment in your associations. While I trust that these observations contain information of value to "inside" directors, their problems are somewhat different from our own.

Each of you has sound reasons for giving up your free time to serve your association. For most of us, the reasons are about the same. You see in your association an exceptional opportunity to serve your community in a most pleasant and rewarding way. And, for each of you, there are additional reasons.

Let me give you my special reason for unbounded enthusiasm for the savings and loan business. As a county and circuit judge I have heard juvenile and family cases—those involving delinquency and other social evils—for more than 12 years. In the course of hearing thousands of such cases, I have come to the firm conclusion that the pride and dignity of owning one's own home do more than anything else to provide family stability, eliminate crime and delinquency, and promote the American way of life.

Without our associations, the thrift and home ownership needed as a basis for our American way of life could not have existed to nearly the extent they do. Most of us are opposed to unnecessary government housing and excessive government control of the housing industry; yet, if we do not find ways to furnish adequate housing with private enterprise and financing, the government will find ways to meet essential needs in these areas. This is one of the greatest challenges to association directors.

*Judge Hunter is a director of the Quincy-Peoples Savings and Loan.

Another of your great challenges is to keep new vigor and energy injected into your association. Like people, corporations can get flabby, middle-age spread and corporate hardening of the arteries. Part of your job is to stimulate vigorous activity and to fight signs of complacency.

You directors have played a crucial role in creating the gratifying successes of our industry, particularly during the past two decades. But I wonder if our successes might not have lulled us into a comfortable overoptimism. Too often we seem to assume that our amazing growth and profitable operations will go on forever. Unpleasant as the thought may be, we should realize that we may sometimes have been successful in spite of ourselves. Let us not be overconfident.

The direction our nation takes in the immediate future will be determined, in some large measure, by the direction our own industry takes. It is essential that our associations, guided by you directors, forge ahead steadily. It is increasingly apparent that, rather than becoming simpler, our problems continue to grow more complex and more formidable. Your association needs your ever-increasing assistance in solving them.

Some idea of the potential changes that will occur during the two decades ahead is indicated by the fact that man has made more progress in unlocking the secrets of nature in the last 20 years than he had previously made since the earliest times. Further evidence that the years immediately ahead will contain fabulous change is found in the fact that so revolutionary is electronic data-processing equipment that it will take a whole century for mankind to use the full possibilities of equipment already in production. All these phenomenal changes place new burdens on directors to keep up with and anticipate the peaceful revolution that has engulfed us.

FOCUS ON DIRECTOR'S LIABILITIES

While the liabilities of a director are not within the scope of these remarks, we must continually focus our attention on those liabilities. So great has been the success of our business in recent years that those liabilities have often seemed of only academic interest. But, if the years ahead bring new and more serious problems, it is entirely possible that we will be brought up sharply to realize the enormous proportions of the legal responsibilities that rest upon our shoulders.

You outside directors were chosen because of your success in your field, your prestige in your community and the contribution you and your ideas could make to your association. One of the principal benefits you confer upon your association is the cross-pollination by which you bring the wisdom, the knowledge, the advancements and the techniques from your own business or profession.

But the world has become so complicated that no one can achieve enough education to be completely prepared for all the problems of business. Such an education, if attainable at all, is the product of a life-

time of learning, study, experience and reflection. With each passing year, our industry demands a higher degree of intelligence and a more thorough education and training.

Some people may feel that it is too hard to continue their education after they are adults. But Mortimer Adler has said: "Whenever you find an adult, a chronological adult, who thinks that learning or study is work, let me say that you have met a child. One sign that you are grown up, that you are no longer a child, is that you never regard any part of study or learning as work."

DEMANDING STANDARD OF PERFORMANCE

As directors we are faced with a very demanding standard of performance. We must be alert, creative and responsive—anything but rubber stamps. At the same time we must give to management all the opportunity, freedom and flexibility it needs to do the best possible job. As directors we must constantly bear in mind the respective functions of management and the board of directors. Under no circumstances should we ever usurp the proper functions of management.

So gigantic are the demands upon directors that it would be presumptuous to assume that any director could be perfect in every way. That is no reason we should despair. Opportunity for improvement exists for all of us.

Whether or not you have stopped to think about it, each of you has your own adult educational program; it may range from the informal to a highly formal plan. My purpose is to suggest ways in which that program may be augmented and enriched.

Your pay as a director cannot possibly be a sufficient reward for the effort needed to become a well-educated, adequately informed director. But any educational program you adopt for yourself will not only serve your association, the industry and your nation, but it will also make you more effective in your own field, as well as a better-rounded, better-educated person.

A primary responsibility of your board is to formulate criteria for measuring the effectiveness of management. Our operations have become so intricate that this task cannot be performed satisfactorily with only a superficial comprehension of the technical problems confronting management. It is essential that you and I understand those technical problems.

For most of us, the continuing educational process consists of reading about subjects that have some bearing upon association problems. There is a minimum diet of such reading. It should include, of course, careful and thorough study of the excellent publications issued by the United States Savings and Loan League, including the *Savings and Loan News* and the *Directors Digest*. Even if you are not a lawyer, I urge you to study the *Legal Bulletin*; it is a freely flowing fountain of sound advice on those subjects of most concern to directors.

No adult educational program for a director would be complete with-

out constant study of, even addiction to, the *Wall Street Journal* and *U. S. News and World Report*. If you have not discovered *House and Home* magazine, you are overlooking one of the very best and most thorough sources of information about home construction and financing. There is a wide selection of magazines and books relating to the problems of business. It would serve no purpose to attempt to enumerate them. The important thing is that you consume a diet rich in information about the world around you.

Perhaps you feel that it is too late in the day to extend your adult education beyond an informal stage. If so, I urge you to reconsider.

OUTSTANDING INSTITUTE COURSES

There is available to you, as a director, the full array of outstanding courses offered by the American Savings and Loan Institute. As you probably know, it offers these courses in classroom work through 165 chapters and study clubs. Because of the many demands on your time, you may find the home study courses more convenient. In smaller communities where there is no chapter, only the home study courses are available.

The self-discipline of home study is a reward as precious as the content of the course itself. I deem it bootless to argue the respective merits of classroom courses and home study. Each has its important benefits; both are rewarding beyond measure.

Completion of the courses leads to the Achievement Award, the Standard Diploma and the highly coveted Graduate Diploma. From my own experience, I can say without reservation that the Institute courses are on a level equal to those given at a university.

The majority of Institute courses are of direct and material value to any business or professional man, even though his work is not related in any way to the savings and loan business. Those courses include Public Speaking, Business Writing, Economics, Investments, Personal Money Management, Customer Relations, Commercial Law and others.

Other Institute courses, while especially useful to association employees, are equally valuable to directors engaged in associated fields, such as real estate and building. In this group are the courses in Real Estate Principles, Residential Appraising, and Real Estate Law.

Still other Institute courses increase technical knowledge along rather specialized lines which relate specifically to the savings and loan business. They include Savings and Loan Principles, Teller Operations, Savings Accounts and Mortgage Lending.

In addition to the courses offered through chapters, study groups and home study, the Institute sponsors its Schools for Executive Development and the Graduate School of Savings and Loan. For information about any of these meritorious programs, call or write to the American Savings and Loan Institute at its offices at 221 North La Salle Street, Chicago 1, Ill.

We can all agree that the size and complexity of the problems con-

fronting our associations demand a constantly rising level of standards for everyone in your association. It is possible for you to play a key role in raising the professional standards of your association's staff by showing your interest in the Institute's programs. Such interest is most dramatically shown if you take its courses. If you are unable to do so, you can still support a continuous educational program within your association.

It is gratifying to observe how much many associations are doing to encourage the improvement of their staffs through Institute courses. Many associations pay all expenses in connection with the studies; others even pay a bonus upon the completion of any course. Also, many institutions place great emphasis upon courses completed in awarding promotions and salary raises. If your association has not done so, I vigorously urge you to use your influence in obtaining an adoption of similar progressive policies in support of continuing education.

MANY AVENUES TO A LIBERAL EDUCATION

I fully subscribe to the opinion that a liberal education is essential to the complete education of any executive or director. The solution of the fantastically complicated problems confronting our industry and the nation must come from liberally educated people. It is essential that directors and management extend their knowledge in literature, the arts and such fields as sociology, history, political science and economics.

For the busy director, one of the most neglected, yet one of the most convenient, sources of a liberal education is the Extension Division of your state university. All such divisions, and they exist in most states, offer a wide variety of courses in liberal subjects. Though their cost is low, they are conducted on a high academic level. The courses can be studied at home at a pace to fit your own special situation.

There are other avenues for furthering your liberal education. There is the burgeoning variety of short courses that serve to activate a lifetime of study. Typical are the Aspen Institute of Humanistic Studies, the Executive Seminar of the American Foundation for Continuing Education, the Personal Development Program of Wabash College, among many others.

Perhaps you have thought of these courses as impractical or not suited to your objectives. If you would take the time to investigate them, you might find that they are exactly what you may need to fill some void or hiatus in your personal educational program.

Less formal and more flexible tools for extending your liberal education are programs such as the Great Books Program of the University of Chicago. Many adults have enriched their lives and enhanced their usefulness to their fellow man through the study of the classics.

If you insist that organized programs are not adapted to your needs, but still wish to further your liberal education and are willing to discipline your reading habits, I urge you to dedicate a portion of your spare time to the pursuit of a reading program such as Clifton Fadi-

man's "Lifetime Reading Plan." Such a program will give purpose and direction to your reading; it will avoid time wasted on books of dubious value.

Looking to the future of liberal education for those in savings and loan, I recommend that our industry consider the promotion of liberal adult education for management and directors. The full potential of adult seminars and courses has not been dreamed, let alone realized.

A REALISTIC CHALLENGE

The challenges I am offering may seem unreasonable, or unrealistic or even impossible. It is safe to assume that you are among the busiest people in your community without taking on any new ventures. Yet you have proved your ability to accomplish much in your vocation and in community affairs. To do so, you had to learn the secret of getting things done.

It probably is also safe to say that scarcely a man lives who cannot, through the efficient use of his time, make even more time available for additional activities. You may feel that you have exhausted all possibilities for wringing extra minutes and hours out of your day. If so, I recommend that you read the book *How to Gain an Extra Hour Each Day*. Busy as you are, you may be amazed to read such a long list of techniques for wedging an extra fruitful hour or two into an already crowded day.

To keep up in your own vocation and to make a maximum contribution to your association and community, a heavy reading schedule is mandatory. You may be a rapid reader now. If not, you can make yourself a very rapid reader. In doing so, you give yourself a present which is the equivalent of several extra years of life. There are a number of good books, such as Witty's *How to Become a Better Reader*, and courses such as that now offered by the Book-of-the-Month Club. By making that effort, you will read faster and, equally important, you will grasp and retain more of what you read.

If we ever had any illusion that life in the sixties would be a series of automatic successes, the illusion has been shattered. Our nation is locked in an ominous struggle with Russia. Our American industrial giant is waging an all-out competitive battle with industry behind the iron curtain, as well as with our friends in Germany and Japan. The savings and loan business is engaged in a bitter struggle with those in competitive industries who would like to hobble or even destroy us. In our local communities we find ourselves competing vigorously with other thrift and financing institutions, often with our neighboring savings and loans.

Your importance to your association, and its importance to our nation, justify the effort demanded by your augmented adult educational program. Nothing less than your increasingly dedicated efforts will surmount the formidable obstacles that face your association, your industry and your nation during the next decade.

HOW YOUR ASSOCIATION LOOKS TO OTHERS

by James R. Murray,* Director

Federal Home Loan Bank of Topeka, Kan.

I APPRECIATE VERY DEEPLY the privilege of serving the Federal Home Loan Bank of Topeka as a public interest director, and the opportunity it has presented me to speak to you today.

I should like to tell you something about the public interest director and what he does. He is a successful businessman. To attend the meetings in the region covered by the district Bank, that busy industrialist, college dean or engineer, as the case may be, spends 24 days a year in your behalf and in behalf of the savings and loan associations in that district. If you do not know your public interest director, I suggest that you become acquainted. He is doing you quite a favor and, by the same token, it is a rewarding experience for him.

Four years ago, when my appointment as a public interest director came through from Washington, I did not know what the Federal Home Loan Bank System represented. So I started asking my friends, "What is the Federal Home Loan Bank?" Nobody seemed to know. And if they did not know four years ago, I doubt if they know today. That reflects a weakness in your setup.

A few months ago I was asked to address the Kansas Savings and Loan League. But I did not know how to talk savings and loan, because I do not participate in your directors' meetings and am not an intimate part of your organization. So I went into my plant, where roughly a thousand people work, and into plants in California, New York and Florida, and I talked to the people there who have money in your associations, because I wanted to find out what they think of savings and loan.

This is what they think: They think savings and loan is a great business that "sort of grew up" all of a sudden. The associations have fancy buildings with big signs, and they advertise in the newspapers that they are paying such and such a dividend. There they are, but nobody knows exactly where they came from.

Today you have a giant industry, and you have been told that your giant industry must undergo market orientation. Now, what is market orientation? It is adapting yourself to the needs of your community, your savers, your association and your industry. But it is one thing to sit at sessions like this and be told what to do. It is another thing to get out and do it.

From your customers' standpoint, your association cannot stand still. You must continue to do those things that have made you successful

*Mr. Murray is vice president of the Sealright Oswego Falls Corp., Kansas City, Kan.

up to this point. Then you must find out what is making other people successful and you must do that, too.

There are three things we should look into: courtesy, counsel and convenience. They are simple words. They are easy to write and easy to understand, but they represent a challenge in this day and age.

TEACH PEOPLE HOW TO SAVE

Let us start with counsel. You are competing with banks and trust funds and stocks to get the money market; you are all after the same thing. The greatest potential you have is the person who does not save. There are thousands and thousands of such people, but you are not helping them learn how to save. Too often you just wait for them to walk through your front door. You have to go out and get this tremendous money market.

You talk about people being dependent on the government for a handout. That is because you are not doing your job; you are not teaching these people to put a little money in the kitty. Tell them not to depend on the government to educate their youngsters and to take care of their retirement.

Disposable personal income is greater today than it has ever been, and people should be saving money but they aren't. How do I know? I have talked to them; I am on a credit union board.

The easiest way to get people to save is to get them to think about little amounts. Don't be too big to accept a dollar. Money is not hard to get; you just are not selling the people to give it to you. Help them to *not* spend; show them how to budget. Put it in a little folder.

I have money in perhaps eight savings and loan associations—just so I can check on you and talk to you from fact—and you know, I seldom get mail from any of you. If I do, it has a sticker on it that shows it is a form letter, and I throw it in the waste basket. I never get anything instructive, yet it would be such a simple thing for you to do. I have money with you, but I do not hear from you.

EXPLAIN DIVIDENDS, FHLB

What do people want to know? They want to know where the dividends come from. It sounds silly, but they actually do not know. So if you are going to send out a little note, tell where the dividends come from. Tell what your institution is doing. Brag about yourself. Don't be bashful.

The way to fight the banker is to show the people in your community how important you are to them and how you lead the banks. Why do you pay more than banks? Tell them it is because you are specialists in home financing. Tell them what you do to make their homes better, their investment sounder. Where do dividends come from? Tell them! These are simple things, but the people do not know and they need to be told.

Another tremendous gap in the picture is lack of knowledge about the Federal Home Loan Bank System. I have found top businessmen in complete ignorance of what it is!

Get an informed person in your area to talk to your clubs. Compare the Federal Home Loan Bank System with the Federal Reserve. Tell the people how the government protects but does not interfere; let them know you run your own business. Tell them that here is a government agency that is self-supporting; this is tremendous, so play it up.

The Federal Home Loan Bank is on our newspaper pages more than the UN. Take advantage of this. Tell the people your association is a member of the System. Put it in every bulletin you send out; do not be content with just a seal on an envelope.

CONTACT PERSONNEL DIRECTORS

We have not had more than three associations contact our personnel office in 12 years. Maybe they got the brush-off the first time and never came back. Yet thousands of employees are asking for advice.

Send your top man to contact the personnel director. Tell him about savings and loan. Tell him about the Federal Home Loan Bank System. Sell him! I am not a salesman by nature, but sales are part of my responsibility, and it hurts me to see the potential just rotting away.

You say the savings and loan business must have market reorientation. I say you must go out and really work. The job is just waiting to be done. Contact the industries in your community. You can do a lot by working together; you will learn a lot, too. Become acquainted with the large employers; believe me, you do not know them now.

I am the president of one of the largest industrial associations in America, and a few days ago I asked an officer of one of our member plants, "What do you think of savings and loans? Do you have any contact with them?" He replied, "They are getting too big for their breeches. They are competing with banks. They have no right to be in that field." This from a top-notch industrialist, someone in the community who is responsible for thousands of employees and who with one word can hurt you. What harm is there in calling on him? It does not cost a thing, and it might do you a lot of good.

We have talked about counsel—credit unions, personnel managers, Federal Home Loan Banks, communities. In addition, be an active member of your chamber of commerce. But do not send Joe Blow over; go yourself.

SELL CONVENIENCE, NOT BEAUTIFUL BUILDINGS

You are putting up beautiful buildings and you are making it easy for people to come in, but are you making it convenient for them to do business with you? I walked into a brand new association a few weeks ago and stood in the lobby. Nobody came up and said, "How are you?"

There was not even a good display. I turned around and walked out.

Here is a comment I hear regularly, one for you to watch: "You know, they are getting like banks."

Do not be afraid to merchandise. I can't think of anything better than a great big blown-up dollar bill in the lobby. Look in your supermarkets, in your drug stores, at your billboards. Look everywhere you can, and see what your competitor for that dollar is doing. Then go after it. Do not just make it easy for somebody to walk through a door and see a beautiful hall. Do what American industry is doing; fight fire with fire.

Simplify your approach. For example: "Here is a dollar bill; see how easy it is to save. Little Josie, six years old, will be able to attend the University of Kansas 12 years from now, all because she saves with us."

Explain, too, how easy and convenient it is for people to get their money out. This is another stumbling block; they are afraid that if they put it in, they cannot get it out when they want it. Tell them. Put it in a bulletin, post it in the lobby. Illustrate withdrawals; don't just use fancy words they do not understand.

Study *Life*, *Look*, *Saturday Evening Post*. See how they sell the woman and the man from whom you want money; it is a great education and it is free. Show people how easy it is to have their money work for them. Tell them: "Let us take your money. We will manage it for you, and you will receive dividends because we are managing your money." Show them all the things they can do because they are part of your organization. Your customer is not just a saver, but a part of your organization. Make him a part of it.

ASK YOUR CUSTOMERS' ADVICE

Check regularly with your customers, to ask their opinions or what they want. People love to be included in things, but you do not include them nearly enough. You have to get up off your chair and walk out into the lobby with a notebook. You have to say, "How do you do, Mrs. Jones. How do you like that new door? I think it should be washed once or twice a week." She will say, "Twice a week," and thereafter, every time she sees that door she will think, "They run this place the way I told them."

Don't you love to have somebody ask your opinion? Of course you do. We conduct surveys, and the women knock us down trying to tell us what is wrong or right with a package. They want you to ask, "What do you think of our new door, and what do you think of this or that?" Put down the things that are important. Ask the things you want to know. You will be amazed at how much your customers will tell you.

THE GREATEST ASSET OF ALL

Courtesy is the greatest single asset savings and loan people have. If there is one thing that is really the catalyst in your success, it is not

higher dividends but courtesy. When I asked, "What is the one thing you like about a savings and loan?" everyone I talked to mentioned courtesy.

How many times have you, personally, thought that banks are cold? Maybe there is a reason for it, but why should a customer have to sit out in a great big space and talk about borrowing money? If I have to borrow money I want to get in a room and talk privately—and I'll tell the man anything he wants to know.

I visited a savings and loan association not long ago that had a beautiful building and some private offices. I think it is the first one I have seen that had no great big spaces. This is a little matter of courtesy that you could take care of easily.

Always have something new in the way of courtesy—perhaps a hostess. Always something going on. Always something new. And always courtesy.

Make your customer feel important. Do not follow the banks, lead them. There is a weakness in the bank in your community; find that weakness and capitalize on it. You can do it, but you have to think and you have to be smart. You have to know what you are doing; you have to have the background. Judge Hunter talked about advertising your advantages, but I think the greatest wasted space in American newspapers is the savings and loan association ad that reads: "Jones Savings and Loan," with a great big "4%" and nothing else. Everybody else uses an ad to tell a story; you should, too.

There is another touchy matter—but remember, I am only relaying what your customers tell me. Do not confuse gifts with courtesy. Some savings and loan associations figure that if they give a pot full of beans to Mrs. Jones for another \$50, they are doing a great thing for her. In the long run, however, you make as many enemies with certain gifts as you do friends. You cannot knock down the little fellow in the small community. He must feel important. He must be a part of the association where he saves. He must be made to feel as big as you are.

SAVINGS AND LOAN'S OBLIGATION

Finally, you must work as a group nationally. You must succeed together; you cannot stand alone. There is a tremendous job to be done; call it market orientation or what you will. You who have made this industry successful must join forces and recognize your obligation to the community, to the economic situation and to yourselves as a group.

Your tools are counsel, convenience and courtesy. Prove that you are a great financial institution, a great industry. Establish your need all over the nation, and then go to work as individual associations and do everything just a little bit better. It is all a matter of counsel, convenience and courtesy.

NATIONAL THRIFT COMMITTEE

Breakfast Meeting

George L. Bliss, New York, N. Y., presiding

WHAT KIWANIS INTERNATIONAL WOULD LIKE FROM THE NATIONAL THRIFT COMMITTEE

*by Lawrence A. Hapgood, Assistant Secretary
Kiwanis International, Chicago, Ill.*

AS ASSISTANT SECRETARY of Kiwanis International, I bring you greetings not only from the general office staff headed by Secretary O. E. Peterson, but also from the members of the International Board of Trustees. Even more important than this, I bring you greetings from the 260,000 business and professional men who make up the 5,000 Kiwanis clubs in communities extending from Newfoundland to Hawaii and Alaska to Florida. It is these men, many of whom are members of or in some way related to your own organization, living and working in the grass-roots areas of our continent, who share with all of you a real and abiding concern for the stability of all segments of our economy and for the over-all development of a solidarity of purpose which will ensure for ourselves and our posterity the continuation of the way of life traditional to free men.

The history of Kiwanis is a history of service to mankind, for mankind is our business. In many instances the service is tangible, for it can be measured statistically. Trees planted, athletic teams sponsored, aids to handicapped provided—these are merely a sample of the breadth of interest summarized each year in Kiwanis in Action. Truly, where the need exists, Kiwanis is there.

Important as the projects are which can be statistically summarized, some of the most effective impact of Kiwanis is to be found in the realm of ideas. Let me illustrate. Interest in citizenship-building activities has been on the increase for some time. The themes and implementing programs prove this. In 1961, *Build Responsible Citizenship* has been the theme; in 1962 the guiding principle will be *Freedom—Our Individual Responsibility*.

There are those in our country—and I am one—who feel that our achievements and our strengths as a nation may have outrun our goals. This is much more than a paradox, for there is great peril in such a

situation. Any nation, operating through its established groups, which cannot shape events because of its own sense of purpose may well be engulfed in events shaped by others.

ESSENCE OF OUR SOCIAL STRUCTURE

What is the essence of this social structure which we are dedicated to defend and enrich? It is our belief in the individual as the supreme fact of life. His spiritual and material well-being is without doubt the supreme test of the way a society is working. But this well-being is not provided for the individual. It comes to him through his own efforts and those with whom he cooperates.

Basic to a sound and expanding economy is the financial structure which must undergird it. Basic to this financial structure are two principal facets. One is the integrity and the business acumen of those who lead the national policy in matters of finance. The other is the attitude of the individual citizen toward his government, his social order, his economic status and, above all, toward his own position in the order of things. And if one were to name a limited number of character traits most needed by men in a free society who have the drive to remain free, certainly thrift would be among them.

For such reasons Kiwanis International, operating through its established clubs, places major emphasis on building into our citizens, young and old alike, those strong character traits so necessary to the solidarity of all segments and aspects of our continuing free society, not the least of which is thrift. It would be presumptuous for me to expand on the various aspects of thrift. Suffice it to say that we share with you a common belief in its extreme importance. Let me add that circumstances today make more meaningful than ever before the need for, understanding of and practice of this quality by both individuals and government at every level.

Let it never be said that Kiwanis considers itself an authority in the many fields of activity in which it is engaged. This can be no better illustrated than when considering how to inculcate in the minds of our citizens, especially our younger citizens, the value of thrift. It is for this reason that we look to those who have the information and the know-how, to suggest the specifics of effective programs. Kiwanis welcomes the opportunity to work with organizations such as yours.

POSSIBLE AREAS OF COOPERATION

Since you have invited a frank discussion of the continuation and further expansion of the working relationship between our organizations, let me offer a few specific suggestions for our mutual consideration this morning and perhaps for further discussion and implementation through cooperative staff action in the future.

1. Every Kiwanis club is required to have one meeting a week throughout every year. Consider such a captive audience—260,000

men meeting in 5,000 clubs weekly. If speakers could be made available, what an effective story could be told through the medium of the club meeting program. If this should be possible, it would be helpful if our clubs could be alerted to the source of such speakers and the topics which would be pertinent for discussion. This kind of opportunity should not be passed over lightly if you, as members of the National Thrift Committee, believe that you have a philosophy to expound and a convincing story to be told.

In addition to the 5,000 Kiwanis clubs, there are more than 2,200 Key clubs in the high schools of the United States and Canada comprising 55,000 outstanding young men. They, too, present both program and project opportunities. Then there are more than 350 Circle K clubs, with 6,000 young men on the college campuses of our nation. They present no less a challenge to all of us.

2. If literature can be made available for club or community observance of National Thrift Week—October 21-27, 1962—we should appreciate knowing the source from which our clubs can obtain it. A kit of promotional materials might be of great help.

3. If we were better versed on effective programs already carried out by the National Thrift Committee, we might be able to adapt some of them to our own service structure and recommend them to our clubs.

4. If leaflets or brochures on thrift were made available, we could encourage their distribution both at our international convention through the Club Clinic and at district conventions through similar setups.

5. It might be feasible for Kiwanis International to develop, in cooperation with the National Thrift Committee, a kit of suggestions which would make it possible for local clubs to know what is being recommended by the National Thrift Committee to financial institutions in the way of encouraging thrift among our youth. Such a kit could suggest ways in which the local service club could assist, and might make it possible to increase the incentive of youth to participate in activities demonstrating the need for thrift and to provide opportunities for recognition of their actual participation in thrift projects.

6. As important as specific thrift activities are, there still seems to be the inherent need for the sharing of ideas on the financial solidarity of our nation. Events in recent days have proved beyond any doubt that every citizen may well be concerned about the financial strength of his country. The stimulation of such an understanding and the development of a proper concern by people in all walks of life certainly could be a matter of joint interest.

INDIVIDUAL RESPONSIBILITY, COOPERATIVE ACTION NEEDED

A friend of mine, traveling in Europe, felt that he must get an answer to the question of how the Hitler regime could possibly have achieved its control. After spending 10 days visiting with executives who had been successful prior to Hitler, who had lived through the period of

MTC -
D week

Hitler control and who, by sheer dint of their own courage and initiative, were again contributing to their nation's strength, he finally found the answer, not in political philosophies or social theories but in four simple words uttered by one of the executives: "We forgot to care."

No organization is successful just because it is structurally sound. No activity is a success merely because it is right in its basic concepts. No depth of understanding is possible merely because the need for it has been clearly pointed out. Only as the individual citizen raises his own sights and senses his own personal responsibility, can we hope for a greater concentration of effort directed toward the best for all. An increasing acceptance of individual responsibility, combined with dedicated individual and cooperative action, makes up the backbone of a continually expanding free society.

Careful consideration of the common interests of the National Thrift Committee and of Kiwanis International cannot help but lead to an increasingly effective effort on behalf of the goals of both organizations. I leave with you the thought of the late Charles Kettering: "Nothing ever built arose to touch the skies unless some man dreamed that it should, some man believed that it could and some man willed that it must."

CONSTITUTION AND BYLAWS
OF THE
UNITED STATES LEAGUE

CONSTITUTION OF THE UNITED STATES
SAVINGS AND LOAN LEAGUE

*as revised and adopted November 13, 1951; and
amended November 14, 1952; November 23, 1953;
November 19, 1954; November 10, 1955; November 15, 1956;
November 26, 1957; and November 12, 1959.*

ARTICLE I

Name

The name of the association shall be the UNITED STATES SAVINGS AND LOAN LEAGUE.

ARTICLE II

Object

SECTION 1. The objects of this League shall be:

A. To advance generally the interest of savings and loan associations which term herein includes savings and loan associations, co-operative banks, building and loan associations and other institutions engaged in the encouragement of thrift and the private financing of owner-occupied homes and other improved real estate.

B. To assist in carrying on, by educational means and otherwise, the promotion of thrift and the encouragement of private investment in and the purchase of homes upon plans leading to debt-free home ownership.

C. To devise safe and equitable methods of conducting the business of such associations and, through educational means, to endeavor to secure the adoption of such methods.

D. As incidental to the main objects and purposes of the League, stated above, to make studies of statutes, rules, regulations, examination and supervisory procedures affecting the savings and loan business and to devise ways and means of improving the same.

ARTICLE III

Members

SECTION 1. The membership of this League shall consist of institution members, organization members and associate members. An insti-

tution member shall be a savings and loan association as defined in Article II, Section 1, Paragraph A. An organization member shall be any corporation, league or other organization made up of or providing a service to the savings and loan business on a local, state or regional basis. Institution and organization members must be located in the United States of America or its territories or possessions. An associate member shall be a financial institution located in a foreign country and conducting primarily a thrift and home-financing business.

SECTION 2. Membership may be acquired by written application by eligible institutions or organizations subject to election by the Executive Committee. Temporary membership may be granted by an operating officer with the approval of the United States League director of the state upon such application from a prospective institution member until acted upon by the Executive Committee, in which case League services shall start and continue as long as the membership is in good standing.

ARTICLE IV

Representation and Voting

SECTION 1. All members of the League may be represented at League meetings by one or more delegates, but any delegate must be a bona fide director, officer or employee of a member, and no delegate shall represent more than one institution member.

SECTION 2. Each institution member shall be entitled to one (1) vote to be cast by a properly certified delegate, and no proxies shall be allowed.

SECTION 3. Each organization member which is the state league officially recognized by the directors of this League shall be entitled to three (3) votes plus five (5) additional votes for each twenty-five dollars (\$25) or major fraction thereof paid as dues by such state league to be cast singly or in total by a properly certified delegate or delegates. No proxies shall be allowed.

SECTION 4. Organization members which are not recognized state leagues and associate members shall have no vote.

ARTICLE V

Dues

SECTION 1. The fiscal year of this League shall be the calendar year, and dues shall be payable by members in advance on January 1, upon an annual basis as set forth below. Members joining the League during the year shall pay dues for the fraction of the year from the first of the month after date of application to the end of the calendar year.

SECTION 2. The annual dues of an institution and an associate member shall be a maximum of 1/200 of 1% of its gross assets as of the preceding June 30, provided that minimum dues shall be ten dol-

lars (\$10) and no dues shall be figured on assets in excess of fifty million dollars (\$50,000,000). The Executive Committee at its discretion shall be authorized to direct that a uniform deduction from the basic dues may be granted to institution members in any one year, provided that the minimum dues be observed.

SECTION 3. The annual dues of an organization member shall be based upon and measured by the assets of its member institutions as of the preceding June 30. The rate shall be 1/50,000 of 1% of such assets, provided that minimum dues shall be ten dollars (\$10) and the maximum dues shall be one hundred dollars (\$100).

ARTICLE VI

Powers and Duties of the Board of Directors, Executive Committee and Officers

SECTION 1. Subject to the action of the members in convention assembled and the constitution, the government and administration of the League shall be vested in: (A) the Board of Directors; (B) subject to the action of the Board of Directors, the Executive Committee; and (C) at the direction of the Board of Directors or the Executive Committee, the officers. Any executive or administrative duties may be delegated to an Administrative Committee consisting of the officers or to an officer or officers.

SECTION 2. The Board of Directors of the League shall consist of one representative from each state and the District of Columbia.

In addition, the following shall be ex-officio members of the Board of Directors: the President and Vice President, elected by the members, the members of the Executive Committee, the three immediate Past Presidents of the League, the President of American Savings and Loan Institute and the Executive Vice President.

SECTION 3. The Executive Committee of the League shall consist of one representative from each geographical District as specified in Article VII, Section 2, the President and Vice President, elected by the members, the Immediate Past President, the Executive Vice President and the Chairman of the Legislative Committee.

SECTION 4. The officers of the League shall be a President, Vice President, Executive Vice President, Secretary-Treasurer and such other operating officers as may be authorized by the Executive Committee. The President and Vice President shall be elected by the members at each annual meeting and shall serve until their successors are elected and qualified. The President shall be the presiding officer of the League at all meetings of members and of the Board of Directors and Executive Committee and shall keep himself informed as to the work of the League and shall report to the Annual Convention.

SECTION 5. The Vice President shall perform the duties of the President during the President's absence or inability to serve. In case of death, resignation or vacancy in the office of the President, the Vice President shall become President of the League for the unexpired term.

SECTION 6. The Executive Committee is authorized to elect, for a term as determined by it, an Executive Vice President. The Secretary-Treasurer shall be elected annually by the Executive Committee at its first meeting immediately following the close of the Annual Meeting of members.

SECTION 7. The Board of Directors shall receive and act on reports of the officers and committees of the League. The Executive Committee shall prepare and submit to the Board of Directors a budget which shall be considered and approved, or amended and approved, except that the aggregate appropriation authorized may not exceed the estimated available funds of the League, as reported by the Executive Committee.

SECTION 8. The Executive Committee shall elect annually the operating officers of the League and shall designate their titles and fix their compensation at its first meeting immediately following the close of the Annual Meeting of members. The operating officers shall have such authority, power, duties and responsibilities as the Executive Committee shall designate and are authorized to incur expenses as provided in the approved budget. One person may hold more than one of the offices designated.

ARTICLE VII

Nomination and Election of Officers, Directors and Executive Committeemen

SECTION 1. The Executive Committee at a meeting held at least six (6) months prior to the Annual Convention shall name the Committee on Nominations, which committee shall be charged with the duty of selecting nominees for the offices of President and Vice President, and such committee shall also have the duty of preparing the ballot to be used at the Convention for the election of officers, members of the Executive Committee and Directors. The Committee on Nominations shall be composed of fifteen (15) members, representing institution members in good standing, selected as follows: five (5) persons who are neither elected officers nor members of the Board of Directors, and eight (8) persons, chosen from the duly elected membership of the Board of Directors and two (2) Past Presidents of the League. No appointment to the committee shall include more than one member from a single state or the District of Columbia, but each League District shall have representation of at least one (1) member upon the Committee on Nominations.

Within thirty (30) days after the action of the Executive Committee in making the appointment of the Committee on Nominations, each member of the League shall be furnished with a list of the members of the Committee on Nominations together with their respective mailing addresses; and at the same time shall be informed of the date and place of the initial meeting of the Committee on Nominations, as fixed by the Executive Committee, which meeting may not be less than thirty

(30) days after the members of the League are furnished with such information and must be held at least sixty (60) days prior to the date set for the opening of the Annual Convention. Two-thirds of the number of the members comprising the committee shall constitute a quorum. The committee at its initial meeting shall choose its own chairman and secretary. The committee may determine its own methods of procedure. Each member of the committee may present nominations for each of the offices to be filled and shall present to the committee in open meeting all names for all offices which have been presented to him by the representative of any member of the United States League, stating to the committee in each case the sponsor or sponsors of such proposed nominee.

The Committee on Nominations shall select by a majority vote of the committee one (1) candidate for each of the above-named offices. Before adjournment of the committee it must have received from the nominee selected an acceptance of the nomination. No member of the Committee on Nominations shall be eligible as a nominee of the committee. The selections of the committee shall be mailed to each member of the United States League at least forty-five (45) days prior to the date of the opening of the next Annual Convention, shall be in printed form and shall include a brief biography of the nominees for each office and a statement of their qualifications. These nominations shall be printed on the official ballot prepared for the use of the Convention and shall be grouped upon the ballot as those proposed by the Committee on Nominations.

If, for any reason whatsoever, a nominee selected by the Committee on Nominations is unable to serve, the committee shall select another nominee either in a ballot-by-mail, by telegraph or in an emergency meeting of the committee. The exact procedure for meeting such contingency shall be determined by the committee at its initial meeting. In the event of a contingency arising which has not been provided for by the committee, the Executive Committee shall determine the procedure to be followed by the committee in selecting a substitute for the nominee unable to serve.

Any additional nominations for any or all of the offices of the League to be voted upon shall be included on the official ballot for the Convention if a petition or petitions for such nominations shall have been filed by not less than fifty (50) members of the League in good standing located in not less than two (2) League Districts and three (3) states. Such petitions must be filed with the chairman or the secretary of the Committee on Nominations of the League before the fifth (5th) day preceding the opening session of the Annual Convention and must be accompanied by a statement signed by the proposed nominee that he accepts the proffered nomination and will serve if elected.

No member of the League shall sign a petition to the Committee on Nominations for the nomination of more than one person for the same office. To be valid, the petition of a member as authorized in Sections 1, 2 and 3 must be signed on behalf of a member by one of its officers.

The Committee on Nominations shall determine the sufficiency of petition for nominations and the eligibility of the petitioners.

SECTION 2. Nominations for members of the Executive Committee shall be made in the following manner: The term of office of an Executive Committeeman shall be three (3) years. The Executive Committee Districts shall be comprised and numbered as follows:

District No. 1 shall include the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island and Connecticut.

District No. 2 shall include the States of New York and New Jersey together with Puerto Rico and the Virgin Islands.

District No. 3 shall include the States of Pennsylvania, Delaware, Maryland and West Virginia.

District No. 4 shall include the States of Virginia, North Carolina, South Carolina and the District of Columbia.

District No. 5 shall include the State of Ohio.

District No. 6 shall include the States of Kentucky, Tennessee, Mississippi, Alabama, Georgia and Florida.

District No. 7 shall include the States of Illinois, Indiana and Michigan.

District No. 8 shall include the States of Iowa, Nebraska, Minnesota, North Dakota, South Dakota and Wisconsin.

District No. 9 shall include the States of Colorado, Kansas, Missouri and Oklahoma.

District No. 10 shall include the States of Arkansas, Louisiana, New Mexico and Texas.

District No. 11 shall include the States of Idaho, Montana, Oregon, Utah, Washington, Wyoming and Alaska.

District No. 12 shall include the States of Arizona, California, Nevada and Hawaii.

Districts 1, 4, 7 and 10 shall elect their representatives to the Executive Committee in 1948 and every three (3) years thereafter; Districts 2, 5, 8 and 11 shall elect in 1949 and every three (3) years thereafter; Districts 3, 6, 9 and 12 shall elect in 1950 and every three (3) years thereafter. No state shall be represented on the Executive Committee by an elected Executive Committeeman elected from such state for two (2) consecutive terms, unless the member savings and loan associations in such state hold in excess of 80% of the savings and loan assets of member institutions of the District in which the state is located or unless no other nominations are received.

Members of the Executive Committee shall be managing officers of institution members in good standing during their term of office and shall be ineligible to succeed themselves if they have served a full term of three (3) years. Nominations for members of the Executive Committee in those districts electing representatives shall be submitted in writing to the chairman or secretary of the Committee on Nominations not less than sixty (60) days before the opening of the Annual Convention. A nomination may be offered by an organization member which is a recognized state league or by ten (10) institution members

from within the District from which the nomination is proposed, and all such nominations shall be placed on the ballot for the Annual Convention (except in the event of an election where there is more than one (1) nominee when the balloting shall be done as provided in Section 5 of this Article). Those nominated for a District shall be voted on only by members in that District.

SECTION 3. Nominations for the Board of Directors shall be made in the following manner: The term of office for a director shall be two (2) years. The states and the District of Columbia shall be arranged alphabetically, and the elections shall take place in each odd-numbered year in Alabama through Missouri, and in each even-numbered year in Montana through Wyoming. Nominations from those states electing representatives to the Board of Directors must be submitted in writing to the chairman or secretary of the Committee on Nominations not less than sixty (60) days before the opening of the Annual Convention. A nomination may be offered by the organization member which is the recognized state league or by five (5) institution members in the state from which the nomination is proposed, and all such nominations shall be placed on the ballot for the Annual Convention (except where more than one nomination is received from a single state and in that event the voting shall be held in accordance with Section 5 of this Article). It is further provided that in any state where there is not a state league member of the United States League nor as many as five (5) institution members, nominations may be made by one (1) institution member.

SECTION 4. In the event the Committee on Nominations receives no nominations for members of the Executive Committee or for directors as provided for in Sections 2 and 3 of this Article, the Committee on Nominations is authorized to designate from among representatives of institution members the nominees for the vacancies for which no nominations have been received and to include its designated nominees on the official ballot submitted to the Convention.

SECTION 5. In the event that more than one (1) person shall be nominated for director or Executive Committee representative in a state or District, all such nominations shall be placed alphabetically on the ballot and mailed to each member in such state or District at least thirty (30) days before the opening of the Annual Convention and such ballots, in order to be counted, must be returned to the secretary or chairman of the Committee on Credentials and Elections at least seven (7) days before the opening of the Annual Convention, whereupon the committee shall count the ballots for report to the Convention.

SECTION 6. Official ballots shall be furnished to any delegate on his request by the Committee on Credentials and Elections which shall act as inspectors of election in determining the qualifications of voting delegates and supervising the casting of ballots.

The ballot box for the reception of ballots shall be open on the first full day of the Annual Convention between the hours of 1:00 p.m. and

5:00 p.m. Thereafter, the Committee on Credentials and Elections shall canvass the ballots and report to the Convention the results of the election. Election shall be determined by plurality vote. In the event of a tie vote in any instance, the election result shall be determined by a vote of the Board of Directors by secret ballot at its first meeting held after adjournment of the Convention.

SECTION 7. In the event of any nomination to any office as herein provided of only one (1) person and there is no contest at the time of the election, the Committee on Credentials and Elections shall declare such nominee duly elected and no ballots need to be cast for such nominee.

SECTION 8. The President, Vice President and each member of the Executive Committee and Board of Directors, elected as is provided in this Article, shall take office upon the adjournment of the Annual Convention at which he is elected and serve until his successor is elected and qualified.

ARTICLE VIII

Vacancies

SECTION 1. Except as otherwise provided, vacancies caused by the death, resignation or ineligibility of any officer or director shall be filled for the remainder of the term by the Board of Directors or, in the absence of an early meeting of this body, by the Executive Committee. Similar vacancies within the membership of the Executive Committee shall be filled for the remainder of the term by the Executive Committee.

ARTICLE IX

Meetings

SECTION 1. The Annual Meeting shall be held at such time and place as may be fixed by the Executive Committee, upon sixty (60) days' notice which may appear in a League publication.

SECTION 2. Special meetings of the League may be held on the call of the Board of Directors or the Executive Committee and shall be held on the written request of thirty (30) members of the Board of Directors. At least one (1) month's notice shall be given to all members by mail.

ARTICLE X

Meetings and Elections in Wartime

SECTION 1. When the United States is at war or in the event of a national emergency, the Executive Committee is authorized, if in its judgment such is necessary or proper, to suspend the Annual Meeting of members and to elect successors to the officers and members of the Executive Committee and Board of Directors whose terms expire.

ARTICLE XI

Bylaws

SECTION 1. The Board of Directors may adopt, alter or repeal Bylaws or Rules of Order not inconsistent with this constitution.

ARTICLE XII

Amendments

SECTION 1. Proposed amendments to this constitution shall be submitted to the Executive Committee and, if approved by the Executive Committee, shall be submitted to the Convention. The Convention may adopt any such approved amendment by a two-thirds vote of those present and voting.

SECTION 2. In cases of emergencies, so declared by the Board of Directors or Executive Committee, this constitution may be amended at a special meeting of members called as provided in Article IX, Section 2.

BYLAWS OF THE UNITED STATES SAVINGS AND LOAN LEAGUE

Section 1. RESOLUTIONS AND MOTIONS REFERRED TO COMMITTEES. All resolutions or motions from the floor which would commit the organization on a matter of general policy or which might lead to any political involvement shall be submitted to the presiding officer in writing and signed by the delegate and then be referred either to the Resolutions Committee or to the Board of Directors without debate.

Section 2. COMMITTEE ON COMMITTEES. The Executive Committee, elected and ex officio, shall meet immediately or within ninety (90) days after the annual meeting of the League and shall spend at least one (1) day discussing, considering and making recommendations to the President as to the membership of all the committees of the League. Such committee members shall be chosen only from among the officers or directors of institution members, with due regard to representation of all parts of the country and the general objective of reasonable rotation of committee chairmanships, continued service by committee members who are especially qualified or experienced and equitable distribution as to assets, classification and League Districts. The President or the Executive Committee may replace any committee member who shall cease committee service and participation upon resignation, death, termination of active affiliation with a member institution, or whose institution does not remain affiliated or in good standing in the League. The recommendations to the President and the Executive Committee shall be for the committees provided for or authorized under Section 8 of the Bylaws.

Section 3. GRIEVANCE PROCEDURE. The elected members of the Executive Committee shall constitute a Grievance Committee which shall receive and consider any criticisms or complaints as to the conduct of the affairs of the League or the work of the officers, Board of Directors, committee chairmen, committee members or staff employees, and such committee may proceed through hearings and investigations of the criticisms or complaints and may dispose of them or make a report of its findings and any recommendations to the Board of Directors or Annual Convention.

Section 4. GENERAL CONVENTION VOTING. Except for election of officers, directors and executive committeemen, all voting during the

Annual Convention shall be *viva voce* unless otherwise ordered by the chair provided that any twenty-five (25) voting delegates may request a division, counted either by the chairman or by tellers.

Section 5. TERMINATION OF MEMBERSHIP. Any member may terminate its membership in this League by a written resignation at any time to take effect thirty (30) days after receipt of the resignation at which time League services shall be discontinued, but no dues shall be refunded.

The membership of any member shall be terminated at any time such member is sixty (60) days in default in payment of annual dues unless by action of the Executive Committee such time is extended. Written notice of the termination of active membership standing and discontinuation of services shall be issued by the League.

Any member may be removed from membership in the League by the Executive Committee or Board of Directors for any act or acts injurious to the objects of this League or inconsistent therewith, but no member shall be removed except after the filing with the League for the information of the Executive Committee of a written statement of the alleged cause for removal and notice to the member so charged and a reasonable opportunity for a hearing before the Executive Committee of the League or a committee designated by it and an adjudication of the truthfulness of the charge or charges by the Executive Committee or such committee.

Any member whose membership has been terminated by resignation or by notice on account of default in payment of dues may be reinstated in membership upon application and upon vote of the Executive Committee.

Section 6. MEETINGS OF BOARD OF DIRECTORS. At least two (2) regular meetings of the Board of Directors shall be held each year upon the call of the President, one at a date which is at least one (1) day prior to the opening session of the Annual Convention of the League and the other at a time not later than the day following the Annual Convention. Special meetings may be held at the call of the President and shall be held whenever fifteen (15) members of the Board of Directors petition the President to call the meeting, stating the matter or matters to be considered at such special meeting. The Board of Directors shall receive and act upon the reports of the officers and committees of the League.

Section 7. MEETINGS OF EXECUTIVE COMMITTEE. The Executive Committee shall meet from time to time as the business of the League may require upon the call of the President of the League upon reasonable notice, including a meeting prior to and one subsequent to the Annual Meeting of members.

Section 8. COMMITTEES. The Board of Directors or Executive Committee shall be authorized to establish such committees as are desirable to serve the best interests of League members.

The members of all committees shall be appointed by the President of the League, by and with the advice and consent of the Executive

Committee. Such committees shall serve for one (1) year or until their successors are appointed.

Committees created to perform a special function at the time of the Annual Convention shall be appointed by the President and unless otherwise ordered shall retire upon making their reports or, if no reports are made, at the adjournment of the Convention.

No monies shall be expended nor any money liabilities contracted by or on behalf of any committee of the League beyond the amount appropriated for the use of said committee in the budget. Nor shall any such committee, without express authority or a resolution of the Board of Directors or the Executive Committee of the League, solicit financial support for its activities beyond that granted in the League budget.

Section 9. RESEARCH AND EDUCATION. The American Savings and Loan Institute shall be the department of research and education of the League and shall be administered as to program and funds by an officer of the League designated by the Executive Committee, in accordance with and under the terms of the Agreement of Co-ordination now existing or which may hereafter be adopted between said Institute and the League.

Section 10. RECOGNITION OF STATE LEAGUE. A state league to be recognized must have a majority of the assets of the business in its state represented in its membership and have a substantial proportion of its members be members of the United States Savings and Loan League.

Section 11. QUORUM. A quorum of the members at any annual meeting or any special meeting called or held as provided in the constitution shall be any number of qualified delegates present. A quorum of the Board of Directors shall be those present but not less than twenty-five (25) elected directors. A quorum of the Executive Committee shall be a two-thirds majority.