

OUTLOOK FOR THE BANKS

Babson Sees Changes In Commercial Banking Policies

By ROGER W. BABSON

New York City, June 25.—Inflation is witnessed by rising prices and an increased shortage of consumers goods. We have been in an inflationary period for some time. Signs point to further inflation. Inflation will affect all types of business and all individuals in varying degrees. In thinking, however, of one business which nearly all of us are connected, I have felt that some explanation of what inflation might mean to the banks would be of interest to all. Hence, today I will hit some of the high-spots in the banking picture.



BABSON

BANKS DEAL IN DOLLARS

I am more concerned with the smaller banks than I am with the larger financial institutions of our great cities. Our large commercial institutions will benefit from any increase in money rates although these may be some time in rising. Of course, the entire banking business has changed vastly since I was a young man. Today there is little glory or profit in being a bank director or even in being a stockholder. Banks have no inventory, buy no raw materials and manufacture no finished products. They have nothing to sell except service and, most important of all, they deal solely in dollars. Hence, theoretically, it makes no difference to the bank what the dollar is worth. It is worth 59 cents today; but if it goes down to 20 cents the banks would still be open, would function as usual, continue to receive dollar deposits and pay out dollars.

DEPOSITORS ARE SAFE

As all Federal Reserve Member Banks and most other banks are also members of the Federal Deposit Insurance Corporation, deposits up to \$5,000 have, for some time, been insured by our government. Depositors are thus well-protected and bank failures for years have been at a minimum. I look for no increase in bank failures. However, some banks may consolidate or liquidate and go out of business. In some instances this would be a sensible thing for them to do. The larger a bank is the more valuable its stock should be. Bank customers will continue to receive much the same type of service as they have always had from their banks, but they must expect to pay more and more for it. Banks will be obliged to meet increased living and operating expenses occasioned by inflation just as manufacturers and other business houses will be. They are faced with declining mortgage income; their returns on commercial paper, municipals and corporation bonds are also extremely low. It looks as though they might be largely dependent upon their service charges and safe deposit box rentals.

INVESTMENT POLICIES FOR BANKS

The banking fraternity is today carrying too much of the Government debt in the form of bonds. There should be proportionately more in the hands of the public than in the hands of the banks. However, while the rate of interest on Government holdings is extremely small, banks can be certain that their holdings of Governments—particularly those due within the next ten years—will be paid at par

upon maturity. Furthermore, I do not look for any extreme fluctuations in their prices immediately after the War as was true of the Liberty Bonds of World War I.

Unlike individual investors or businessmen, banks cannot protect themselves against inflation through the purchase of tangible goods and property. Yet, like merchandizing groups, they must have an inventory with which to do business. Therefore, inasmuch as they deal in dollars, they must have a large store of dollars on hand.

DOLLARS TO BE PLENTIFUL

Forward-looking bankers, therefore, will gradually depend less on normal investment income and educate the depositors to heavier service charges. These will be permitted by the Government, even looked upon with favor. Unless Washington wishes to take over the actual operation of the banks, they must make it possible for banks to have sufficient income from sources other than through normal investments.

As mortgages are paid off in cheap dollars, income from this source will also decline. But dollars will be exceedingly plentiful. Money in circulation per capita today is the highest in the history of our country. It will continue to rise. For every Government Bond sold our credit resources are multiplied six or seven times. I forecast that dollars will be far more plentiful than certain commodities.

WHAT ABOUT BANK STOCKS

What I have outlined is far from an ideal domestic banking economy. It is no real way for banks to function, but it is the only way they can survive. But I would not dump my bank stocks. They may be as good as anything else to hold. In some ways perhaps a little better. In the case of the larger banks, at least their real estate constitutes real property. But I would not be surprised to see many banking quarters turned into funeral parlors!

RATION CALENDAR

Blue Stamps
(For canned, frozen and certain dehydrated foods).
Blue stamps K, L, M are good until July 7.

Coffee
Stamp No. 24 good for one pound of coffee through June.

Gasoline
"A" book coupons No. 5 good for three gallons each and must last till July 21 in North Carolina.

Red Stamps
(For meat products, canned fish, most edible oils and cheeses).
Red stamps J, K, L, M, and N remain valid through June 30.
Red stamps P become valid June 28.

Shoes
No. 18 stamp in War Ration Book One good for one pair until October 31.

Sugar
Stamp No. 13, good for five pounds, is good through Aug. 15.
Stamps No. 15 and 16 in War Ration Book One are valid for 5 pounds of sugar each, for use in home canning. They are good through Oct. 31.

Housewives may apply at local boards for supplementary sugar rations for home canning, if essential.

Note
Loose stamps (except accompanying mail orders and the one-point red stamps used for change) are worthless.

The Farmers Cooperative Dairy in Forsyth County has proven that cooperatives pay, if handled properly. It is paying its owner-producers \$4 per hundred for 4 per cent milk.

From Ingleside

Mr. James Powell, living on the farm of Mrs. Pattie Jones lost a valuable milk cow recently by being struck by a car. It seems that the cow got loose from the milking post, crossed the highway and was hit by a passing car, near the home.

Mr. Jos. T. Hunt, dental student at Richmond, Va., was here the past week visiting his parents, Mr. and Mrs. J. B. Hunt. Joe also visited friends at Wake Forest and Raleigh, returning Saturday.

Tobacco, corn, cotton and other crops (with a little grass mixed in now and then) are growing rapidly under seasonable rains. Several very fine fields of tobacco fall to indicate any lateness of that crop, and many have "laid by." Among the few noted, Mr. Edward Dement seems to lead the field, and others are: Messrs. Ira Weldon, Johnny Robertson, Roy Williams, Charlie C. Catlett, Hobson Finch, J. C. Finch and others I fail to recall.

Mr. Turner Harris, who sustained a serious injury to her hip

from a fall eight weeks ago, which kept her confined to the house and most of the time in bed, is able to walk again her friends will be pleased to know.

Mrs. S. J. Matthews, who has been with her sister during her illness, has returned from a two-weeks stay at her home in Louisburg.

A three room tenant house on the farm of Mr. Lee Roberson, a half a mile from Ingleside, occupied by a colored family, Buddy Conyers with a wife and three small children, was burned about 9 o'clock Thursday morning. The origin of the fire is not known as there was no one at home at the time. The entire household effects were destroyed.

It appears that the wheat crop will turn out better than was anticipated earlier in the season. Dr. D. T. Smithwick has a 16 acre field of that crop, which promises a fair yield, on his farm near here.

Hattie B. Jones, col., contributes to Ingleside and community "believe it or not" with a 9 week's old 4 legged chick. The extra pair are formed behind the

others, are shorter and not used to walk or scratch. However, they touch the ground when it sits down to rest.

Mr. Julius Collins presented the writer with a big piece of fresh meat that didn't have to be rationed. It was a fat 10 pound turtle. When the head was severed from the body, it would still bite any object placed in contact during the day, and it is claimed that it will do that the next day or 24 hours after having been cut from the body.

PIG WALKS ALL RIGHT, BUT HE'LL BE HAMLESS

Smithfield, June 16.—News has reached here of a two-legged pig that walks like a duck on the farm of J. P. Pittman, of Selma, Route 2, near Micro.

It is one of a litter of four pigs farrowed about six weeks ago. The three other pigs all are normal. The pig's two legs are in front and there is no sight of legs or feet on the rear of the body, which is shaped like an egg, with a tiny short tail. The pig is just as active as its four-legged brothers.

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—On Pay Day, Buy Bonds— Subscribe to the Franklin Times

Next time you get sore -- grab your pencil...



FIGURE IT OUT YOURSELF

Next time you're sore at the Nazis or Japs, just sit down for a minute. And if there's a pencil handy, do a little figuring—something like this . . .

Sure, taxes are higher. You're paying more than you used to. And the cost of living hasn't gone down any either. That's costing you more. But . . .

home right now than there has been for a long, long time. What's more . . .

Maybe you were going to get a new bus this year. Every year, you know, millions of people did get new ones. Or radios. Or refrigerators. Anyway, it's a cinch you'd have spent some money this year on things you can't buy now. So what?

So maybe you can put more of your family earnings into War Bonds! Not 10% or 12% or 15% or 20%—but all you can! If you and every other American who has an income will sharpen up your pencils and figure out how you can save an extra dollar here and another there that can go into War Bonds—if you'll keep on figuring and saving—you'll provide a weight of metal that will snap the Axis' spine like a rotten stick!

Let's pour it on! And keep pouring it on till the murderous fools who have defiled our soil, butchered our sons, broken up our homes—who have refused to let us live and work in peace—are smashed utterly to dust!

Get out that pencil! See charts below!

Here's what comes in . . . Here's what goes out

NAME	EARNINGS \$	RENT \$
	EARNINGS \$	FOOD \$
	EARNINGS \$	CLOTHING \$
	EARNINGS \$	TAXES \$
TOGETHER WE EARN \$		CARE \$
		INSURANCE \$
		DOCTORS \$
		AMUSEMENTS \$
		HOUSEHOLD FURNITURE, ETC. \$
		MISCELLANEOUS \$
		TOTAL \$

(\$) What comes in
(\$) What goes out

Leaves \$ for U. S. WAR BONDS

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