

## THE BANK'S PART IN THE FARM PROBLEM

By H. LANE YOUNG

Member American Bankers Association Agricultural Commission

ONE of the most discussed and least understood questions regarding the farmer's problems is the part the bank has played, or is to play, in financing the farmer. The basis of co-operation between the two, however, is a very simple one.



H. Lane Young

Both sides are subject to criticism for the condition that exists today. The major share of the blame rests on those banks that have failed through disregarding fundamental principles in loaning other people's money, that have encouraged the farmer to expect bank loans without the farmer putting his business on the earning basis which would justify a bank to lend him money.

One of the underlying reasons for the failure of so many country banks has been the existence of too many banks. With the limited business of the community divided among too many banks it was impossible for them to make enough money to justify the employment of officers with the proper ability to manage the bank successfully. Then the scramble for business was so hard that good judgment and foresight were forgotten in granting loans, with the resultant failure of the weaker institutions.

In the future, banks are not going to loan the money of their depositors without the kind of security that can be immediately realized upon in case the loan is not paid, or unless the applicant presents a sound and successful record of business operation—whether that business be manufacturing, merchandising, or farming.

**Farming-Banking Interdependent**  
This is a perfectly obvious attitude, because country banking cannot be successfully and profitably carried on unless farming is successfully and profitably operated—the two businesses are dependent upon each other. There is no longer any question that the time has arrived for these interdependent businesses to reach a common ground of understanding of the requirements that both must meet for their mutual welfare.

There is no doubt but what the future prosperity of the farmer and the basis of cooperation between banker and farmer is the intelligent diversification of crops. It is necessary, however, to have the right conception of diversification.

The mistake that many farmers have made in attempting to diversify has been to invest too much money, time and land in a new and untried crop—sometimes a hazardous crop, or one for which no immediate market has been developed, resulting in a loss of the initial effort and discouragement of future efforts on a more conservative basis.

Disregarding the primary and essential principle of farming—namely, increasing earnings by decreasing the cost of production through the practice of building up soil by crop rotation and intensive cultivation, is responsible for a large share of the farmers' trouble today.

### As An Agriculturalist Sees Farm Board's Job

The new Agricultural Marketing Act approaches farm relief from a materially different point of view from that of former bills before Congress in recent years, says Dean H. L. Russell of Wisconsin University College of Agriculture in the American Bankers Association Journal.

"It contains a new idea, fraught with the greatest possibilities—the organization of a Federal Farm Board," he says. "It has been possible for farm cooperatives to borrow from Federal-aided institutions before, and at a materially lower rate than city business men had to pay for working capital, but this is the first set-up made by the government in which a commission has been carefully chosen to give undivided attention to an effort to solve the problems of a farm group."

"It is hard to conceive of a higher degree of responsibility than must be assumed by this commission. No board ever created by congressional action has been clothed with as wide plenary powers. It is authorized not only to advise but to execute, to plan and put its plans into effective action, to buy and hold, to dump, to dip into the Federal treasury to accomplish its ends with what would be almost unlimited resources to any private commercial concern. The board's only job is to succeed, and no governmental agency even during the war time emergency had a wider latitude."

"Many will think the farm relief program will be universally applicable to the individual land owner or operator. Such procedure is far from the case. Aid is to be extended through cooperative organizations by making it possible for such groups to obtain cash advances to hold crops so as to permit of more orderly marketing."

"While the primary relation is with cooperatives, the individual or unorganized farmer will also profit by the activities of his organized fellows. If a stabilized program of merchandising is able to eliminate the surpluses that

exert such depressing influence on prices the general price relation should be improved. If this occurs the individual farmer should also benefit.

"It is here the government is proposing a novel attempt in economics. Through stabilization corporations for each commodity it is proposed to make possible the handling of the surplus so as to lessen its disturbing influence on prices. With non-perishable products such a program is, of course, conceivably possible, but one wonders what would happen if a stabilization corporation had to handle a perishable crop in great quantities.

"Is it going to be possible for a stabilization corporation to stabilize? It would be one thing if it had merely to stabilize the American situation, but often that situation is complicated with world conditions. Perhaps the very fact that such a stabilization corporation is in position to function may have a steady effect on the market.

"Markets respond to psychological stimuli as do individuals. The very fact that the government has now definitely stepped into the breach with all of its resources available to make the new plan work will exert undoubtedly a strong stabilizing effect.

"It would be presumptuous to forecast what the ultimate effect of the new act will be. It can, however, be definitely stated that in the present plan much of the philosophy that had been so drastically criticized as economically unsound has been eliminated. The existing plan is worth trying. It will undoubtedly cost the Federal treasury no inconsiderable amounts of money, but if it produces the hoped-for result it will have been well worth while."

## BANKING FINDS THE WAY TO SAFER ERA

By FRANK W. SIMMONDS, American Bankers Association

In considering the banking situation throughout the country, the fact should be kept in mind that while one bank in ten failed during the past eight years, it is far more important that nine banks out of ten, operating in the same general field, serving the same communities and meeting almost identically the same problems, weathered the economic storm of readjustment successfully. This achievement cannot be ascribed to any element of luck, but rather to consistent adherence to sound banking principles and profitable practices. Through worthy and efficient management they met the issues and problems confronting them, squarely and successfully.

Banking is regarded as the keystone of our entire business structure, hence bank failures are rightly regarded as intolerable public calamities that must absolutely be prevented. The three major objectives of all inter-bank organizations, whether local, county, district, state or national, are to make banking safer for all concerned and, through increased efficiency in bank management and supervision, to lessen or eliminate all forms of losses so that greater rewards may accrue to banking and better service to the public. There is definite evidence throughout the country of a strong and growing spirit of cooperation among bankers and banking organizations, which is resulting more and more in strengthening the work of all.

Clearinghouse associations among banks in city, county or district groups undoubtedly constitute the chief line of defense against bad banking practices. They have demonstrated that they are the principal factor in bringing about reformation in banking regulations, improvements in banking methods and the observance of sound banking principles. For many years the primary purpose of a clearinghouse association was the clearance of checks, but today it is the clearance of banking ideas and the solution of banking problems. Clearinghouses supply the local machinery essential for setting up and putting in practice necessary standards and uniformities. There are now 435 clearinghouse associations in cities, towns, counties and groups of counties in the United States.

Men today are more intelligently group-minded than ever before. Banking is combining the best elements of competition with sound group action. By virtue of this combination, individual thought has much wider possibilities of expression. In general, group action has not stifled but has stimulated individual thinking and initiative. Better inter-bank organization and relationships afforded by clearinghouses would have undoubtedly saved many institutions that have suffered failure in the past. The clearinghouse activities of the American Bankers Association are conducted for the purpose of encouraging ever widening cooperation along fundamental principles and practices among banks through clearinghouse associations. Bankers in every city, county or district can, through the agency of a clearinghouse, promote better, safer and more profitable banking and also serve their communities better.

There never was a time when successful bankers were so alert to the value of team work for putting the entire banking structure in prime condition. Sound bank management is the order of the day. Constructive cooperation is more than a sentiment, it is an economic necessity, a matter

of enlightened self-interest, and successful bankers more and more are utilizing the agency of constructive group action in developing and establishing necessary standards and uniformities in banking practices. Each year banking is becoming more of a science and attaining higher professional standards.

### MINNEHAHA NEWS NOTES

Mrs. M. T. Matott, Correspondent

Beekeepers of Minnehaha both large and small are not only blessed with a heavy crop of honey this time but are anticipating the best price in years. Due to a partial failure in the California crop it looks as if they will receive as high as ten cents per pound in carload lots for the best grade of honey and much of the flow was of that grade. Those who have experimented with sweet clover pasture for their dairy herds have discovered that when pastured closely it blooms continuously thus providing an abundant source of nectar for the bees which produces an unusually clear, well flavored honey.

Dr. and Mrs. James A. Campbell and sons Jimmy, Jack and Bruce of Hanford, Cal., were guests at the E. L. Jackson home last Friday and Saturday. Dr. Campbell, who was formerly a dentist in Hermiston, is a cousin of Mrs. Jackson.

Mr. and Mrs. R. E. McFalls made a business trip to Pendleton Aug. 14. They have been spending some time in fixing a circle driveway into their garage this last week.

Mrs. James Turner of Gresham was a guest at the Andy Douglas home the first of last week. Mr. Douglas and Mr. Turner have been friends for many years.

Wm. Rodda and Bert Quick returned from the harvest fields at

Condon, August 24. Mr. Rodda is now employed on the J. B. Saylor ranch on upper Butter creek while Bert Quick will help his father Harry Quick erect a new twelve foot silo.

Mr. and Mrs. A. L. Douglas went to Athena August 19 to visit relatives. They were accompanied by a daughter, Mrs. Ruby Ward, of Portland and her son, Donald James, who is on a furlough from the navy. Mr. and Mrs. Arthur Douglas and daughter, Marjorie, and son, Aaron, of Athena spent Tuesday night at the Douglas home here and left for Portland Wednesday morning with Mrs. Ward and Mr. James. Arthur Douglas is a prosperous wheat rancher of the upper country.

Mr. and Mrs. G. C. Crowner of Pendleton were Sunday guests at the home of Mrs. Crowner's son, Chester Flannigan.

Mr. and Mrs. Roy Pearson and children Frank, Annie and Grace and Mr. and Mrs. Wiley Pearson and son David, spent Sunday at the home of their mother, Mrs. Lena Pearson at Echo.

Mr. and Mrs. Cleve Clark made a business trip to Pendleton August 19.

While making the rounds of his duties as cow tester, Mr. Ernest Houser stayed at the E. L. Jackson home this week.

Interests on their wheat ranch in that and sons were breakfast guests of Mr. and Mrs. C. M. Jackson August 24. Mrs. Jackson were chums and roommates several years ago.

Mrs. Jessie Hesser returned to her home from Newport and other coast points the first of the week. Her brothers, Clare and John Lemon, who have been visiting here from the east for some time are returning to their home in Kansas by way of California and Nevada.

Mr. and Mrs. A. L. Douglas left for Lone last Monday to look after interests on their wheat ranch in that section.

An important land transfer was consummated last week when Guy Cronk purchased the 20 acre Peyton Boone place. This place which has been vacant for several years has one of the finest barns to be found on the entire project. It was built to house about 30 cows and has two large silos. Mr. and Mrs. Cronk who contemplate keeping a dairy herd and raising turkeys will be a welcome addition to our neighborhood. Mr. Frank B. Pennock who has been looking after the place for the past year, handled the details on behalf of the heirs, Miss Virginia and Peyton Boone, who live in the east.

Mr. W. G. Rodda appeared at the other day and inquiry disclosed that the Three I and O picnic made him sad because coming from New Zealand he has no one to frolic with. Plans are under way to give him a one man picnic where not even Clara Bow will have anything on him for he will have "it" and be "it."

Mr. and Mrs. J. M. Prindle returned from Portland last week in a new Hupmobile six sedan.

Miss Madge Quick who has been spending the summer with her parents, Mr. and Mrs. Harry Quick, left last Friday for Noma Linda, California, where she is a student of medicine at the Adventist college.

Mr. and Mrs. Walter Garner and children Zelma, Lyle and Gene, spent Sunday in Echo at the home of his parents, Mr. and Mrs. J. P. Garner. They were accompanied home by Miss Ruth Hudson who with her parents, Mr. and Mrs. J. E. Hudson, and sister, Miss Eula, are visitors here from Idaho. Mrs. Hudson and Mr. Garner are brother and sister.

Mr. and Mrs. W. E. Elder and Mr. and Mrs. Morton Elder were guests at the C. M. Jackson home last Sunday. Their home is at McKay dam.

Among those who attended the Three I and O picnic were Mr. and Mrs. F. B. Pennock, Mr. and Mrs. Norman Pennock and Mr. and Mrs. W. G. Dyer and their five children. Mr. and Mrs. Dyer and four of their children claim Ohio as their birthplace.

The Ugo Igo club will hold their September picnic at the home of Mrs. J. M. Prindle Thursday, Sept. 5.

washed out last week and M. T. Matott is still wondering why he asked him if he knew who did it.

## If you have Piles or Diseases Tonsils Come to My Office August 31

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