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Topics of the Month

DISPENSABLE AND INDISPENSABLE.

"A VAST production on our farms and in our factories is necessary," says General Crowder, "in order to support our military operations on the field of battle. But certainly no man can urge in this day of trial and sacrifice that this nation should deliberately neglect to make itself effective in the field of military operations on the plea that our greatest contribution to the cause of humanity is in attaining an economic efficiency."

The remark is timely and pertinent. Too many people think success in war depends on crops, on manufacture, on ships, on finance. Success in war depends on military strength, skill and efficiency and on nothing else. The industrial, the money-getting and the agricultural nations always fall easy prey to the military nations. But military strength and efficiency depend on finance, agricultural and industrial production and on transportation. These make for success in war because they contribute to military efficiency, but financial power and agricultural and industrial adequacy are not necessary accompaniments of military power in the same nation. It is the extent of the present conflict that makes them essential ingredients in the military power of each individual nation. Great Britain and France, without the agricultural and industrial support of the United States, would fall if Germany did not fall first for the same reason—lack of such support from without. Germany has drawn and is drawing heavily for industrial and agricultural support on Austria, Rumania, Servia, Turkey and a part of Asia. She is getting iron and coal from the occupied regions of France and iron and foodstuffs from the Scandinavian countries. Italy, France and Great Britain are drawing on each other and on the United States. This country alone can draw only on its own resources. The military strength of the United States, therefore, rests on industry, agriculture and transportation. It has happened that way. The dependence is not primarily essential, however desirable, and General Crowder is right in his conclusions.

Financial adequacy, agricultural and industrial production and transportation, on which the country's military efficiency happens to depend, are, in turn, affected by many things, such as the supply and quality of labor, the sufficiency of raw materials, the morale of the people, etc. Military efficiency is, however, always the matter of prime importance. It cannot be compromised or haggled over. Soldiers and guns and ammunition, ships and sailors are the first demand of War. Without them other things become insignificant; with them other things take on importance in exact ratio to the extent to which they contribute to make the military power great, skilful and efficient.

The gathering, equipping and training of military forces is, then, the ruling motive. The dispensableness or indispensableness of any action, commodity or industry is determinable by considering it in its relation to military power. The gamut may be run from absolute indispensability to perfect dispensability but, while there are some articles and some activities in both these extreme classes, it is not always easy to determine the degree of utility for military purposes of the things in between.

In this respect there has been an outcropping of personal views. The individual is likely to consider anything he himself contributes as the truly indispensable and he is likely to exhibit his ability to prove it. The lawyer, for instance, may declare that the effective administration of the courts cannot be given up because on that depends social stability. There is contrary opinion, held by many men, that the administration of justice does not depend on the lawyers and the latter should, therefore, be sent forthwith to the trenches and "over the top" as soon as possible. Proprietors of soda fountains honestly consider that their activities influence the public morale while the drill sergeant would doubtless aver, after an inspection of the dispensing methods, that much energy adaptable to military purposes was going to waste. Mr. Fayant presents the question in regard to the railroads in another column of this issue and leaves no room for controversy in that respect.

To some extent dispensability may be determined by arbitrary decision after investigation. That has been done and 569 articles have been tentatively placed in the dispensable class, pleasure automobiles and golf clubs being included. Arbitrary decision is speedier but it may be mistaken. In the end War will decide the question. War is not particular about its methods or reticent about enforcing its demands. It consumes relentlessly and in the end it dispenses with the dispensable.

The process of elimination is, however, more satisfactory and effective if there is anticipation and intelligent direction supplemented by willingness of those affected—willingness based on knowledge of what is necessary and why. Intelligent direction makes the stern decrees of War easier to meet. The soda water dispensers, the lawyers and the others need to have their attention directed to conditions.

WAR, THE PROMOTER.

Every form of activity now finds its cause and justification in war or it goes causeless and unjustified. Coal was formerly produced that there might be power and light and heat. Coal is now produced that there may be materials for war. If there is not enough coal to make heat and light and power, the heat and light will be diminished to the vanishing point. If there is still not enough for power, substitutes will be found—wood, lignite, peat or water. The water powers of the country are all but untouched. Not long ago so great was the fear and distrust of grasping promoters, bent on exploitation, that there sprang into existence the group of so-called conservationists. Their ostensible purpose was to save forests, minerals and water powers, to prevent the exhaustion of resources and to do it all in the interest of the people. From the viewpoint of War their real accomplishment has been to deny the use of these resources to everyone.

War is demanding a change and War will have its way. It will demand the use of water to supplement the use of coal; later it will demand the wiser use of coal also. Not yet has it been practically discovered that the energy stored up in coal can be more easily and cheaply transported in the form of electric current over wires than in the crude form in cars over rails. Great ingenuity has been expended to make easier the transportation of coal. Larger cars, heavier rails, finer roadbeds, more powerful locomotives, ingenious systems of loading and unloading are in use and operation. The interest in hauling coal has been greater than the interest in its economical use. But coal can be converted into transmissible energy at the mine. Electric current loses in transmission, is a patent objection. But electric current is now being sent distances that were considered impossible a few years ago. The water power engineers have great accomplishments to their credit. The St. Paul railroad has conquered the Rocky Mountains and found its investment profitable. If the railroads were relieved of the necessity of hauling coal or some coal, the baffling transportation problem would be simplified. The mighty objection of scrapping rolling stock no longer applies. There is not enough rolling stock and its replacement is difficult. War is pointing the way to the complete solution.

RESIDENT ALIENS.

The removal of resident aliens from defined zones is a decree of War. The realization of the necessity of enforcing the decree came slowly after War had rendered it. But it came. There are hardships attached to the enforcement. It seems pretty harsh to chase an amiable and retired German from his comfortable home which happens to be in a location convenient for the observation of the movements of troops and munition ships. It seems pretty harsh to dishouse one who has lived in this country for many years and may be a man of wealth and standing. The answer, however, is simple. Such men should be citizens. If they are not and are denied immunity because they are aliens, the fault is their own. The raid on the Hoboken water front was more productive of valuable prisoners than one on the hostile trenches in France.

War forbids discrimination. The aliens have not discriminated. They have plotted and burned and poisoned and dynamited wherever they could. Some of them may be innocent and some may be ingenuous, but War denies them the reward of innocence or the credit of ingenuousness.

War has gone farther. It is turning coldly away from the pacifists who proclaim honest convictions, from the internationalists and their hallucinations, and from the Bolsheviki who, under the name of the Non-Partisan League, are preaching sedition and erecting an organization in the Northwest. The latter may not be stamped out ruthlessly like the I. W. W. The movement is not to be ignored because it is founded on a fallacy, nursed by ignorance and propagated by deception. Aliens can be interned, pacifists can be jailed, internationalists can be pitied, but the Bolsheviki of the Northwest must be disillusioned and educated.

USE OF CREDIT.

War is talking to the bankers. It is vigorously urging the economic use of credit. It demands of the business world that it put all the credit it creates into bankable form for instant use if necessary. It opposes strongly old slipshod methods of keeping accounts. It says that the business world has been making profligate use of its credits, carrying open book accounts, worrying over their collection, chafing because the banker refused customarily to loan liberally against such security while the banker, on his part, has been fuming because business created too small an amount of paper eligible for rediscount.

The forces interested have finally come together for counsel and action—the Chamber of Commerce of the United States, the National Association of Credit Men and the American Bankers Association. They have been connected through a joint committee now called the American Trade Acceptance Council. At a meeting of this body, November 22, the chairman, Lewis E. Pierson, interpreted War's decree thus:

The three national business organizations have declared themselves most emphatically. They have said that the acceptance is here; that it is here to stay; that in the future of American business, credit obligations arising from the sale of goods should be carried in trade acceptance form; that the open book account with all its absurdities should go; that single name paper does not represent as good commercial value as paper bearing more than one name and based directly on a merchandise transaction; that it is illogical for an ordinary merchandise transaction to create more than one direct obligation to pay; that each merchandise transaction should finance itself to the greatest extent possible; that in the future the nation's credit should be carried in more mobile form than in the past; and, most emphatically of all, *that the business of the country in its methods should recognize as of first importance the national interest.*

In this case War used Mr. Pierson as its spokesman but it was War that said "of first importance is the national interest." The question of a new form of expressing the credit created by sales of merchandise is not to be settled easily. That, however, makes no difference to War, whose tasks are always hard. Many men are thinking on this subject of trade acceptances. Many are reluctant. New forms do not always fit old ways or old ideas. What is called the "trade acceptance" may not be adapted to every case but the trade acceptance idea is adaptable. The Federal Reserve Board is giving encouragement. Leaders in many industries have approved the trade acceptance and many firms have adopted it.

The Trade Acceptance Council has considered the subject from all angles. It has decided to ask the co-operation of all kinds of trade organizations and their official indorsement of this form of credit instrument. Clearing houses will be appealed to and the Federal reserve banks are counted on to give very practical aid in the work of education. Doubting Thomases might as well change their course and start for the band wagon which is moving forward toward the wire entanglements with all the impressive ponderosity of a British tank.

THE TREND OF THOUGHT.

War is decreeing changes in the trend of human thought. It does not limit its influence to concrete things. It forces the acceptance of the logical and extirpates fallacies of honorable lineage. The modification of ideas often comes so suddenly and is accepted so instantly that there is little time for reflection. At some time in the future the historian and the philosopher may ponder over and interpret the kaleidoscopic changes now taking place, but War has no time to ponder; it acts. In the interim listen to M. Ostrogorski, the eminent historian of Democracy and give what he has said present-day application.

Resistance to an idea, pure and simple, is never a force in itself; it can only derive power from the spirit and from the inward faith of the combatant. To proclaim one's hostility to an idea, without being able to meet it on equal terms, only gives it a fresh stimulus. It is just as useless to ignore it; if you do ignore it, or retire from it, it advances; if you halt before it in a neutral attitude, it fixes you and hypnotizes you; if you pay it the formal tribute of recognition, you at once become its slave.

The intervals between apathy and indifference in the life of a nation are the most favorable of all for "philosophers and theorists," who fill the unoccupied space, which they find before them, with their philosophy and theories, whatever the intrinsic value of these may be; the horror vacui is still more true of the moral than of the physical world. Just as in the latter, the force of the penetration of a body is in the direct ratio of its mass, and in the inverse ratio of the consistency of the substance which it enters, so the greater the weakness of the mind the greater the facility with which it admits an idea, and the more comprehensive the idea the more easily it takes possession of the mind.

Speaking once of the increase of the power of the proletariat, Robert Lowe, the distinguished British parliamentarian, said: "We must educate our masters."

Lord Monmouth, one of Disraeli's characters, said to his grandson who was about to enter Parliament: "You go with your family, sir, like a gentleman; you are not to consider your opinions like a philosopher or a political adventurer."

In a letter to a friend M. Boudenot, a senator of France, said: "During twenty years passed in the Chamber and the Senate, how many times have I heard my colleagues say: 'The government ought to prevent this, or order that.' What would you have? There are fourteen centuries of monarchical atavism in our blood."

Of Jacobin rule in France Taine says: "Their speeches were childish. Never a fact, nothing but abstractions, strings of sentences about nature, reason, the people, tyrants, liberty; like so many puffed-up balloons uselessly jostling in space. If we did not know that it all ended in practical and dreadful results, we should think they were games of logic, school exercises, academical demonstrations, ideological combinations."

CONGRESS.

Congress thinks it decided and made provision for the payment of taxes in installments, thereby preventing an upheaval in the money market. The Secretary of the Treasury thinks that his decision to issue an unlimited quantity of certificates of indebtedness payable June 25 next was an interpretation and application of the provision. War worked its will in both instances. Congress may do illogical and arbitrary things in times of peace. It may not do them in times of war. It passed a mussy revenue law and surrendered to a disregard of conditions and economic relations in doing it. War, through the Secretary of the Treasury and the Commissioner of Internal Revenue, is busily engaged in straightening out the tangles. Unbiased advisers have been selected and, *mirabile dictu*, the public and the taxpayer are to be represented, consulted and heard. Everybody is willing to pay taxes equitably adjusted even if Congress is not willing to levy them. But Congress cannot have its way when War intervenes. The inequities are bound to be discovered. The messes are certain to be put under the microscope and War will compel any changes that are necessary.

WEALTH.

War is turning a greedy eye toward wealth—accumulated wealth. Unless war ceases soon to be the master, its demands cannot be satisfied out of the proceeds of taxes. Great Britain and her belligerent neighbors learned that long ago. Prof. Edwin R. A. Seligman, of Columbia University, has foreseen it. "The government," he says, "can get only another billion out of the excess profits tax and only another billion from the income tax. Then accumulated wealth will have to be taxed. This will reduce the power of inherited wealth, and will increase the influence of ingenuity, forcefulness and intelligence."

Prof. Seligman might have added that War is the leveler of class and the promoter of democracy. However, even War is limited by the materials with which it has to work. It hasn't much to its credit in Russia since the dethronement of the Czar. It hasn't much to its credit there—yet, but the failure must be attributed to the raw material. Even War cannot make something of nothing.

A. D. W.

FUTURE POLICY OF THE FEDERAL RESERVE SYSTEM

Custom cannot stale the interest in the Federal reserve system. It thrives on opposition and gains comfort as well as strength from support. Stronger now than at any time within the thirty-seven months of its existence, it is growing more rapidly than when it appealed merely on its merits to a rather cold and inhospitable banking world. Twenty-eight state institutions were admitted to the reserve system in November and eight applications were pending. The situation was arguing strongly against the reluctant state banks when President Wilson issued his appeal that they give their support to the system by joining it. The President's request, couched in untechnical language, answered no questions for the state banks and failed to recognize the fact that there were questions to answer.

The appeal probably had little direct effect on the banks because membership in the reserve system is not a question of sentiment or desire any more than it is a question of hostility or stubbornness; membership involves business changes that require the application of all the rules of business prudence and foresight and a decision that must accord with them unless sentiment or patriotism or considerations divorced from business expediency outweigh them.

The effect of the President's appeal on public sentiment was, however, direct and immediate. It put the people on inquiry. It set them to thinking of the banks in relation to success in war. It set them to thinking of the banks with which they did business in this relation. It brought to thousands of minds the thought of a concentration of banking strength, as a requisite to success, of only less moment than a concentration of military strength. Many men began to think of their banks in terms of preparedness. If they happened to be doing business with a non-member bank, they became interested to know why it was a non-member. Report has it that a good many bank officers have been busy explaining this situation to curious customers. They might make a satisfactory explanation to some, but there is a tacit admission that no question is more embarrassing to the president of a non-member bank than this: "What provisions have you made to care for your customers in the event of an exigency?"

Even if that one can be dodged or compromised, the embarrassment grows under investigation of this condition of the public mind on potential customers.

The virus is at work. The situation is developing devil-and-deep-sea characteristics, and the harried state banker is looking forward eagerly to a development of the Federal Reserve Act which will not leave him hopeless and helpless whatever he does. The conduct of the state bankers has not been always arbitrary and stubborn. The trust companies which are not doing a large banking business or any banking business, have objections to entering the reserve system that are unanswered and, under the present law, are unanswerable. Under the constantly increasing pressure these trust companies, as well as many state banks, are looking for an amendment to the Reserve Act, and it is more than likely that readjustments of the banking laws of several states will be necessary before the process of change is completed.

The first difficulty of many of the state institutions is their lack of paper eligible for rediscount. The reserve system is a commercial system. It was designed as such and the design was fairly well executed. The reserve banks may deal in government securities and they may buy municipal and state warrants issued in anticipation of tax revenues, but they are not only not authorized to make loans against bonds and stocks as collateral, they are expressly forbidden to do so. If there was anything Congress made clear it was that securities of the kind dealt in on the stock exchanges were to have no recognition and no standing in the reserve banks.

Many state banking institutions make loans only against such collateral security. Some of them, particularly some of the trust companies, under their state laws, cannot make loans of any other kind. The situation in regard to these banks and trust companies is that their membership in the reserve system would involve distinct loss to them in the form of depleted interest returns on the balances they carry with other banks. For this loss there would be no compensating advantage or any advantage. With their reserve funds in the Federal reserve banks, they could no longer secure accommodation from their correspondent banks or, if they could under favorable circumstances, their chance of such help in a time of stress would be smaller. They could secure no rediscounts from the reserve banks because they have no eligible paper and, in some instances like that of the trust companies in Michigan, they can have none. In a time of depression, therefore, the position of such institutions as members of the system would be worse than if they were out of it. With failure impending, the general financial situation would be worse. They would weaken the reserve system so far as its practical operations are concerned, although they would contribute to increase its assets.

One of the early amendments to the Reserve Act extended to member banks the privilege of borrowing at fifteen days from the reserve institutions on their own notes secured by eligible paper. Last summer Senator Calder of New York offered an amendment permitting the reserve banks to make such loans against the collateral security of high-grade bonds. This amendment was not acted on before Congress adjourned.

Unless such an amendment is passed some of the state banking laws will have to be changed before the embarrassments mentioned will be eliminated. Trust companies, for instance, now restricted by law to loans against collateral, will have to be permitted to purchase eligible paper. If such an amendment to the Reserve Act is passed, it will mark a radical departure from the principles and policy adhered to with such tenacity by Congress when the Federal reserve bill was under consideration.

The Federal Reserve Board has been committed to this policy and has clung to it with a loyalty that bespeaks unanimous agreement on its correctness. The policy is based on sound principles, departure from which will doubtless be made with great care and under severe limitations, if it is made at all. The discussion opens the great problem of whether or not in this country of varied interests and varied methods of serving them, there can be maintained a strictly commercial banking system.

So strong is the tendency in the opposite direction that Congress, despite its preconceived notion, departed unthinkingly from its firm resolve. Such a departure from the defined policy is found in the Reserve Act itself. It outcropped in Section 11 (k) which permits the Reserve Board to confer trust company powers on national banks when not in contravention of state law. The trust companies of the country contested the exercise of that power and made good progress until the United States Supreme Court, considering law and not policy, as Congress before it had considered expediency and not policy, bowled over the contention.

Section 11 (k) was a hang-over from the old days and the old customs which the Federal Reserve Act was invented to destroy. It permits the same kind of confusion in banking which drove the bank reserves of the country to the call loan market and made speculative issues the shifting foundation on which financial security reposed.

Commercial banking, the marvelous instrumentality by which trade is transformed into credit and credit into currency, deals in self-liquidating securities and is far removed from the form of banking which supplies permanent capital. Commercial banking has to do only with that form of negotiable paper, arising out of contracts of purchase and sale, which is paid for out of the funds received from the resale of a commodity. The resale is supposed to produce, and usually does produce, more than enough money to discharge the obligation. Investment securities, whether stocks or bonds, produce funds equal to their face value only through the earnings of interest or dividends, a process which requires some years, or through their sale with their value for that purpose dependent on a fluctuating market. In easy times loans on investment securities occasion no trouble. Any well-conducted bank may safely invest a proportion of its funds in loans against such collateral. In times of tight money, however, they are likely to cause annoyance and an undue quantity of them has been known to cause disaster. In any event they are not to be classed as self-liquidating security.

There is a strong tendency to invade the resources of the reserve banks with such securities. The financial difficulties of the railroads have caused the turning of many a hopeful glance in that direction. Recently the Federal Reserve Board ruled that two-year notes, renewable every ninety days, were undesirable investments for the reserve banks. The situation which called forth this ruling is only one illustration of a tendency which manifests itself in various ways.

The suggestion that such notes be accepted for rediscount is, however, distinctly different from the proposition to make loans to member banks on their notes secured by high-grade investment collateral—municipal and railroad bonds, for instance. Banks are credit institutions. Their credit standing varies, but their condition is easily ascertainable, and the probability of payment of their obligations is susceptible of determination. In extending credit the managers of the reserve banks subscribe to all the ordinary rules. In the end they may be trusted to exercise prudence and to act conservatively. Loans made to their members are not to be considered as in the same class with loans which supply the borrower with permanent capital or with the establishment of "lines of credit," whose liquidation is not contemplated within a reasonable or defined time.

Loans by reserve banks to their members against such security might or might not arise out of commercial transactions. They might or might not be related to commerce or agriculture. But they could easily be kept distinct from speculative stock market activities, first, by a restriction as to the character of the collateral security and, second, by an inquiry and determination of the use to which the resultant credit was to be put.

There is a good deal of fallacy and fiction in the stringent provisions of the Reserve Act against speculative securities so-called. When the Federal reserve bill was framed, the disclosures incident to the investigation of the money trust were fresh in the public mind. The offenses alleged, if they were offenses, were committed by banking interests whose eligibility to membership or participation in the contemplated banking system was never considered. Congress sought to punish these investment banking interests by blacklisting the securities in which they customarily dealt. Even if that was not the purpose, Congress very appropriately divorced investment from commercial banking but, in its zeal against stock market operations, it went farther than that.

There has apparently been a change in sentiment. There certainly has been a change in conditions. The war has developed acutely the inter-relations and in inter-dependencies of business. Five years ago the railroads were regarded in law-making circles as profit-grabbing organizations whose operations were generally acts of oppression and often particularly piratical. Today they are the arteries of commerce whose competent operation and adequate development are necessary to the public safety and success in war. Once combinations of industries were inventions of the devil specially equipped to prey on the people. Today industrial expansion is indispensable to the common welfare and combination is a means to economy making for better service and larger production. Once the banks were regarded as the dictators of credit and the restrainers of trade. Now they are acknowledged to be essential factors in financing the war and aiding production. Once floating and financing and operating were outlaw enterprises. Now they occupy the attention and earn the solicitude of experts working for the government. Once providing the railroads with capital was thought of only as the alternative to rapacious private ownership. Now it is seriously considered because the government has deprived the railroads of the means of getting it, and getting it is as necessary for the government as for the railroads.

A new view of the relations of banks to other than self-liquidating commercial paper is as appropriate, especially if safety is not impaired thereby and the dearth of commercial paper operates to delay the unification of the banking system. Instead of fearing a money combination there is fear that there will not be, supplemented by a desire to force it.

It is considered important, therefore, that all the banks having sufficient capital to meet the modest requirements of the law should be members of the reserve system. The larger question, however, is whether or not the reserve system is to be strictly a commercial banking scheme. If it is, the banks which do not do primarily a commercial business will add nothing to its strength. If it is not, the sooner the Reserve Act is changed to meet the conditions, the sooner the unification will come. The great problem is not the change of the Reserve Act, but the final determination of the question of policy.

In considering this matter of policy it is pertinent to call attention to the enormous increase in the financial operations of the government and a further prospective increase. Government securities, considered in relation to monetary matters, are in identically the same position as the securities of states, municipalities and corporations. The investing public, when patriotism is eliminated, considers all of them from the same viewpoint. Government obligations are apparently subject to the same market fluctuations and they suffer from the same causes that reduce the price of other securities. Under no circumstances can they be considered as self-liquidating. The condition of the reserve banks will be affected as seriously by over-investment in governments as in rails or municipals. If the resources of the reserve banks are to be strengthened by the membership of banks which cannot deal in self-liquidating securities, the strengthening will be badly poised unless other bonds than those offered by the government are considered. If government financing were made successful at the cost of capital for all other enterprises, the success would be attained at the cost of industrial growth and in the end would defeat itself.

A. D. W.

CHICAGO CHOSEN FOR 1918 A. B. A. CONVENTION; SPRING MEETING TO BE AT HOT SPRINGS, ARK.

At the Atlantic City convention of the American Bankers Association, the Executive Council unanimously decided that the 1918 Spring Meeting of the Executive Council should be held at Hot Springs, Ark., and the forty-fourth annual convention of the Association at Chicago, Ill., during the fall of 1918. This vote was qualified by a proviso that the final decision would be vested in the Administrative Committee, after suitable arrangements had been made in both places as to hotel accommodations and other important details.

The Administrative Committee delegated General Secretary Farnsworth to visit Chicago and Hot Springs. On his return the General Secretary met with the Administrative Committee, reported favorably on both places and the committee thereupon approved of the recommendations made by General Secretary Farnsworth.

At Chicago, a conference was held with James B. Forgan, chairman of the Chicago Clearing House Executive Committee. Mr. Forgan had already been giving considerable attention to the formation of committees and the Clearing House Committee will meet in the near future and select the various committees, which will be duly announced. An inspection of the Chicago hotels developed the fact that the Congress Hotel and Annex on Michigan Boulevard was in every way best adapted for convention purposes. This hotel was selected as headquarters. The

CONGRESS HOTEL, CHICAGO, ILL.

SELECTED AS HEADQUARTERS FOR THE FORTY-FOURTH ANNUAL CONVENTION OF THE AMERICAN BANKERS ASSOCIATION, SEPTEMBER 23-28, 1918.

EASTMAN HOTEL, HOT SPRINGS, ARK.
SELECTED AS HEADQUARTERS FOR THE SPRING MEETING OF THE EXECUTIVE COUNCIL, APRIL 22-24, 1918

Congress is one of the best managed hotels in the west; has one thousand rooms, nine hundred bathrooms and any number of rooms, large and small, suitable for section meetings, registration and various committee meetings, all on the first and second floors of the hotel. These rooms have been placed at the disposal of the Association by N. M. Kauffman, president, and John Burke, manager of the hotel, with further assurances that everything possible will be done for the comfort and convenience of the Association and its guests during the convention period.

The date selected is the week of September 23 to 28, inclusive, 1918.

Chicago abounds in good hotels and convenient to the Congress and Annex on Michigan Boulevard are the Blackstone, the Auditorium across the street and the Stratford.

The General Secretary next visited Hot Springs, Ark., being accompanied from St. Louis by John G. Lonsdale, president of the National Bank of Commerce of St. Louis, who in his younger days was a resident of Hot Springs and an influential business man in the state of Arkansas, and whose friends in that section are legion. The courtesy of the Missouri Pacific Railroad was placed at the disposal of Messrs. Lonsdale and Farnsworth and they were accompanied by General Passenger Agent Hollenbeck.

A party of bankers of Little Rock joined the train at that point and continued to Hot Springs, where a conference of the bankers was held, with a luncheon at the Arlington Hotel. A. B. Gaines, president of the Arlington and Eastman Hotels was in Hot Springs at the time, and he, with W. E. Chester, manager of the Eastman Hotel, and Joe W. Corrington, manager of the Arlington Hotel, showed every courtesy to the visitors and promised that if the Spring Meeting of the Council were held there, every convenience and comfort would be extended to the visitors. An examination of the Eastman Hotel proved that it was splendidly adapted for a gathering of this nature, being commodious, with plenty of good-sized rooms for meeting purposes and well managed in every particular.

This hotel was recommended and approved by the Administrative Committee, and April 22, 23 and 24, 1918, selected as the time for the meeting. Hot Springs, Ark., is a city of 20,000 and up to date for its size. It has fine schools and churches, many beautiful homes and good hotels, well paved streets and fine buildings, and is surrounded by mountains with fine drives and superb scenery. It enjoys a fine climate, the best of air and the finest bath houses in the world, supplied with the natural hot water controlled by the government. The baths are possibly not exceeded anywhere in the world. All these factors make an ideal place for the Spring Meeting. There is also one of the best golf courses in the country at Hot Springs.

On invitation of the Little Rock bankers the party spent a day at Little Rock, on the return trip visiting Camp Pike, the cantonment located nearby, the fine new State House, banks and business buildings of the city, which were up to date in every respect. The Clearing House Association of Little Rock served a luncheon at the Marion Hotel at noon, at which there were present about thirty, including Governor Brough, Judge Trieber of the United States District Court, and other distinguished guests.

Little Rock is a wonderful city, whose excellence is but little known to the people of the country generally. The resources of Arkansas are unlimited. The hospitality of the Arkansas bankers and people generally was unbounded, which is a forecast of what the visiting bankers will receive when they visit that state.

The State Bank as an Indigenous and Traditional American Institution

Adaptable to All the Requirements of American Business, the State Bank Has Survived the Ups and Downs of a Century, Meeting All Kinds of Competition and Adjusting Itself to All Kinds of Strange Political Conditions—Its Position and Future Problems as Viewed by Professor Scott, Who Outlines for State Banks What Is Before Them.

BY WM. A. SCOTT, PH.D., LL.D.,

Director of the Course in Commerce and Professor of Political Economy in the University of Wisconsin.

FROM the beginning of our history as a nation, state banks have been an important element in our banking system. At times, together with private banks, they have occupied the entire field. This was the case previous to the charter of the First United States Bank in 1791 and in the periods 1811-16 and 1836-63. In only one period of our history, 1863-68, was their existence seriously threatened. During this period all but 244 of more than a thousand in existence at the beginning entered the then new national system, and for a time after the passage of the act of 1865 levying a tax of 10 per cent. upon their issues, the chances of their extinction or continuance seemed about even. Since 1868 their numbers have steadily increased, since 1886 rapidly, and for several years they have greatly outnumbered every other element in our system.

During this long history they have experienced many vicissitudes besides the one just mentioned occasioned by the establishment of our national system. For forty years the competition of the first and second United States banks put them to a severe test. These institutions had the advantage of large capitalization, of Federal control, and public deposits, and of better trained and more skilful men as officers and managers. They covered the entire banking field and competed with the state banks along nearly every line, but the latter not only survived this competition but increased in numbers in spite of it and were an important factor in the creation of the public sentiment against both banks on the occasions of the consideration of their recharter by Congress.

The competition of national banks has also been severe, but here the odds have been more nearly even. The former have had the advantage of the right to issue notes on profitable terms and the prestige of national origin and control and the latter of a smaller capital requirement, the privilege within broad limits of making loans on real estate security and more liberal laws regarding inspection, reports and the magnitude of loans permitted to a single individual or firm.

State banks suffered severely from the shocks of the crises of 1837, 1857, 1873, 1893 and 1907, many of them going into bankruptcy on each of these occasions and a larger number suffering heavy losses. Our wars have also dealt them heavy blows, but all these storms have been weathered and the injuries inflicted by them have proved to be superficial and temporal only.

They have also successfully withstood hundreds of attacks from enraged and injured customers and politicians, the net result having been modifications in their business methods, and in the laws and administrative regulations governing them rather than any serious effort for their abolition.

The only adequate explanation of the vitality these institutions have exhibited is their adaptability and the services they have rendered. Their adaptability has been shown in a variety of ways. Being state institutions they have appealed to state pride and local sentiment, very powerful forces in our nation's history. On many occasions these sentiments have been an important source of strength to them, notably in their contests with the first and second United States banks and later with the national banks. Whenever pressure from the Federal Government or from any national source has been exerted upon them the supporting power of these sentiments has appeared and doubtless will show itself in the future under similar conditions.

They have also been able easily to adapt themselves to the special needs of different sections, different industries and different political conditions and to the varying changes produced by time. In regions predominantly agricultural they have dealt in farm mortgages and have catered to the special needs of farmers; in industrial centers they have become commercial banks and in financial centers investment institutions, dealing in stocks and bonds and underwriting and promoting enterprises. They have specialized in the promotion of savings in some localities and in others they have transformed themselves into actual trust companies, or into as near an approach to them as the local laws permitted. Indeed, trust companies may properly be regarded as a special form of state bank for which special laws and regulations have been developed.

They have been able to adapt themselves to the magnitude as well as to the character of the business required of them. In some states no lower limit for capitalization has been fixed and in all, except some of the New England states, this limit has been placed so low that no community or section of a community which really needed a bank had to go without one on account of its inability to attract the requisite amount of capital.

This kind of adaptability accounts for many thousand of these institutions. They have been able to penetrate where no other type of banking institution could go. They have, so to speak, filled in the chinks left by the other competing types. During the lifetimes of the first and second United States Banks they went to the towns and villages where no branches of these institutions were established and to those sections of the cities in which branches were located that were not properly served by them. During the periods 1811-'16 and 1836-'63, when there were no banking institutions under Federal auspices, they went everywhere, filling up the gaps left by the withdrawal of the Federal banks. When our national banking system was established, those state banks entered it which saw, or thought they saw, advantage in so doing, and the others continued under their old charters modifying their business to suit the new conditions. Since the two systems have been in competition the state banks have gone into the small towns and country districts and into those sections of the larger towns into which the national banks were prevented from going on account of the relatively high capitalization required of them and the limitations placed on their loaning power.

History furnishes many illustrations of their adaptability to political conditions and to the changes wrought by time. They have flourished, apparently equally well, in the democratic south, the republican north and the populistic west. Changes in the political control of the Federal Government, which have sometimes been fatal to national institutions, as for example in the case of the second United States Bank, have either produced no effect upon them or at most have stimulated changes in the laws by which they were controlled. The greenback movement of the later sixties and the seventies left them unscathed, chiefly because they had then ceased to issue notes and the currency functions of their deposit business were not then understood. The populistic movement left its mark upon those located in the central west in the form of laws providing for the guaranty of deposits, but did not seriously affect those located in other parts of the country.

Early in their history they encountered the movement in favor of the public control of the banking business, which soon became nation-wide and has continually grown in strength. It first showed itself in the New England states, particularly in Massachusetts, then spread to New York and subsequently to the west and south. As a whole it presents a record of experimentation in this field which in magnitude and variety has no parallel in history. In chronological order its first product was a bewildering variety of bank charters incorporating various combinations of devices and the general laws securing uniformity of regulation and control throughout the entire state. In the period before the Civil War the most interesting differences between these laws were due to the different devices for the regulation of note issues employed in the different states. In New England what is now generally known as the "general assets" system was employed; in New York at first the safety fund and later the special security system of which one variety, the bond security system, was afterwards incorporated in our national banking act. In some of the southern and western states, experiments were made with banks owned and operated by the state itself with few exceptions with disastrous results.

Since the Civil War the general banking laws passed by the various states have been frequently modeled after the National Bank Act, passed in 1863 and frequently amended in subsequent years. They exhibit interesting differences, however, due to local economic and political peculiarities and to the different stages of development attained by the different states.

The services state banks have rendered the country are numerous and substantial. Previous to the Civil War their notes constituted an important element in the currency, at times the largest and most widely used one. Because they were not everywhere and at all times accepted at the same value, and because the security back of the issues of the different institutions were of different degrees of soundness, they were defective in this capacity, but that fact merely lessened without destroying the value of the service they rendered. Hand-to-hand money was a necessity then, as it is now, and there was a great dearth of coin. Except at certain periods when the government issued treasury notes, as it did during the wars with England and Mexico, or during the lifetimes of the two United States Banks, state bank notes were the only hand-to-hand substitutes for coin, and poor currency though they were, they were much better than nothing. The state banks have also been, and still are, the chief credit supports to agriculture. They have always constituted the chief regular markets for farm mortgages and for the various forms of commercial paper based on agricultural operations as well as the chief financial aids to the local mercantile enterprises essential to the prosperity of that industry.

They have also been the chief financial reliance of local real estate and building enterprises. Until quite recently the operations of the national banks in this field have been seriously hampered by law and the trust companies, themselves a form of state bank, have become important in this field only in comparatively recent times.

Their service to nearly all other branches of commerce and industry has also been great and has extended over a longer period than that of any other type of institution now existing excepting a small group of private banks in some of the older states. As has already been noted, at certain periods in our history, aided only by private banks, they have borne the entire burden of financing these as well as all other types of economic enterprise. At other periods the greater part of the banking for strictly commercial and industrial enterprises, especially those conducted on a fairly large scale, has been done by other institutions, latterly by the national banks and trust companies.

The capacity of state banks for adaptability and serviceableness, which has been the source of their strength in the past, is being put to new tests in our day and the outcome is awaited with interest. One of these tests is the result of the agitation for improved credit facilities for farmers which has been in progress for several years, with every indication of continuance until its goal has been reached. The first fruits of this agitation are legislative provisions for special agricultural or mortgage banks in several of the states and the Federal Farm Loan Act. No great amount of foresight or of other capacity to read the signs of the times is required to convince a thoughtful person that the new institutions which have been establishd in pursuance of these acts are only the forerunners in this country of various types of agricultural credit institutions which have already attained a high stage of development on the continent of Europe. In their adaptation to American conditions these types will, of course, be somewhat modified, but there can be no doubt but that we shall soon have them in some form.

What will the coming of these new institutions mean to state banks whose special and hitherto peculiar field has been agricultural credit. To the extent that these institutions meet unsatisfied present needs or new needs that may appear in the future they will not trench upon the field of the state banks, but are they likely to confine themselves to this unoccupied or newly created territory, and, if they do not, what effect will their competition have upon the state banks?

There is little likelihood that these new institutions will be so managed as simply to supplement present credit facilities. Indeed, one of the alleged causes for their establishment has been the claim that banks and other allied credit institutions are charging too high prices for the services they render to farmers, and the first tasks undertaken by these new institutions has been to supply a portion of these same services at lower costs and on terms otherwise more favorable. So far neither the new Federal land banks nor the new agricultural state institutions have attempted to cover the entire field, but their sponsors have neither said nor done anything to justify the expectation that they would not expand their field of operations in the future or that other highly specialized institutions, like the co-operative banks of Europe, for instance, would not be called into existence to occupy the territory not now covered. Indeed there are good grounds for the belief that we are just entering an epoch in our banking history the close of which will find us in possession of a number of highly specialized types of agricultural credit institutions which will satisfy cheaply and completely all the present and prospective credit needs of farmers.

Under these conditions two, possibly three, courses of action will be open to the state banks, namely: to meet the competition of the new institutions; or little by little to retire from the agricultural credit field; or to retire from those parts of the field in which the competition proves to be most severe and to attempt to maintain at least a partial hold on the remainder of it.

To meet the competition of these new institutions will be difficult. They will be completely equipped cheaply to do a highly specialized kind of work on a large scale, and small institutions will not be able to duplicate this equipment except at a prohibitive cost. These new institutions are also likely to have the advantages of large capitalization, special advertising and the prestige which comes from special governmental backing and control. The choice will probably have to be made between the second and the third alternatives, and of these the third is the most likely to be adopted.

If the state banks are destined to withdraw from the whole or a large part of the field of agricultural credit, their future prosperity depends upon their ability more thoroughly to cultivate that of commercial credit. Here they will be obliged successfully to meet other tests which hitherto they have been able to avoid and which they seem inclined as long as possible to shun. I refer to the tests our Federal reserve system is applying and with which our national banks are at present wrestling. In very general terms these tests may be described as the demonstration of the capacity to adopt safe and up-to-date commercial banking practices and to make a place for themselves in the new banking system outlined and put into operation by the Federal Reserve Act.

The chief of these safe and up-to-date practices which they have neglected in the past are: The drawing of a sharp line of distinction between commercial and investment business; and the training of their customers to the use of real commercial paper and of frequent and adequate financial statements, its necessary accompaniment, and their training to the use of mercantile and bank acceptances.

The combination of investment and commercial business in the same hands with the greater emphasis on the former, and the lack of broad training on the part of officers and clerks which have hitherto characterized banking operations, have made easy and almost inevitable the confusion of these two kinds of business. The consequences have been an alternation of periods of overstimulation and depression of business, of currency inflation and stringency, and periodical financial crises. These evils have become intolerable to the American people and the long-continued agitation for banking reform which culminated in the passage of the Federal Reserve Act and the general favor which the administration of that act has met are evidence of a widespread determination to rid the country of them.

Little progress in the removal of these evils can be made until the distinction between commercial and investment paper has been learned by both bankers and business men and until the latter have been induced or compelled in the form of adequate statements to supply the data necessary to determine the true character of the paper presented for discount. So long as ignorance or uncertainty regarding these matters exist we shall continue unconsciously to pass periodically from sound to unsound banking conditions and to experience the alternations between inflation and stringency, overstimulation and depression of business, and the financial crises mentioned above.

The general adoption of such devices as trade and bank acceptances, while perhaps not absolutely essential, would greatly facilitate the necessary reforms in our banking and business practices and should, therefore, be included among the goals to be reached.

While national as well as state banks have been guilty of these bad practices in the past, their reform is in progress and the active agency in this work is the Federal reserve system of which they have been compelled to become a part. The Federal reserve banks make the proper distinction between commercial and investment paper; indeed they are compelled by law to make that distinction the basis of their operations. They require the use of financial statements, and encourage that of trade and bank acceptances. They are rapidly teaching the national banks the things they need to learn and these banks are passing this instruction on to their customers. The chief obstacle in the way of this wholesome progress is the failure of the state banks to take advantage of the opportunity before them of becoming members of the Federal reserve system and thus of receiving this instruction and aid. So long as they remain on the outside their competition weakens the force of the pressure which national banks can put upon their customers, and this retards and in some places absolutely prevents progress.

The explanation of the present attitude of the state banks toward the Federal reserve system may not be completely apparent, but it seems to be a combination of rather trivial matters with inertia and lack of foresight. Among the former are the fear of losing some sources of profits, unimportant considered in their relation to the country as a whole, but of more significance in some sections and in some institutions than in others, but much more than offset by the pecuniary value of the advantages ultimately to be derived from connection with the system, the fear entertained by the heads of some state banking departments of the loss of prestige from the incorporation of their charges into a national organization involving some degree of supervision and authority over them and a reluctance to engage in team work with their old rivals, the national banks.

Inertia is a powerful brake on the wheels of progress and by no means a trivial matter when the question is one of moving several thousand independent institutions. It is strengthened in this case by reluctance to break the old ties which bind them to their present reserve agents and correspondents and uncertainty regarding the value to them of the new connections proposed.

Lack of foresight, however, is probably the root of the whole matter. The average state banker lacks the historical perspective and the training necessary to enable him to calculate the advantages to him of connection with the new system. He sees the losses and inconveniences immediately involved, but he does not see the much greater losses which the future has in store for him and which may be averted by joining the new system. Actual experience of these losses may be requisite for the opening of his eyes.

Serious injury to our state banking system would be a national calamity. It touches our national life at vital points and is the most adaptable part of our banking machinery. It is capable of rendering as great service in the future as it has in the past, but, in order to do so, it must become a workable part of our new system, and that means that state banks must become members of our Federal reserve system and that they must gradually adjust their business to meet the competition of present and prospective agricultural banks and of the new national banks now in process of development. State backing and local sentiment will help them to resist artificial pressure from Federal sources, but these helps will avail little against the pressure of competition from institutions that will be able to render better service than they. With the agricultural credit field completely and efficiently covered by specialized and well equipped new institutions and with the commercial banking field completely covered by the national institutions, there will be no special field left for state banks. Excessively small capitalization, such as cannot be met by the smaller national banks, will soon cease, if it has not already ceased, to be of advantage to them. The frontier has practically disappeared and it will not be long before there will be no places that need a bank of smaller capitalization than $25,000.

War conditions have apparently revealed the advantages of the Federal reserve connection to some of the larger state banks and it is not at all impossible that these conditions may develop banking aspects so much more unfavorable than the present that the smaller institutions may also see the light. Otherwise the process of educating these is likely to be long drawn out and slow and may be accompanied by a rise in the rate of mortality. The sooner the state banks can be made to see that a crisis confronts them and that standing pat in this case means falling behind the procession and perhaps falling out entirely, the better it will be for all concerned.

ARIZONA BANKERS CONVENTION

The bankers of Arizona held their fourteenth annual convention at Tucson on November 9 and 10, and it has been pronounced "the biggest and best ever held."

President R. E. Moore called the convention to order on the morning of the ninth at the Tucson Country Club, and introduced Doctor R. B. Von Kleid Smid, president of the University of Arizona, who welcomed the bankers. After the response of R. N. Fredericks, president of the Prescott State Bank, President Moore delivered the annual address, a very able one, in which he made particular reference to the state's Liberty Bond record, its prosperity and the marked increase in bank deposits during the past year. The annual report of Secretary Morris Goldwater followed President Moore's address. "Obligations of the Business Man," was the subject of James G. McNary's address. Mr. McNary is president of the First National Bank of El Paso, and his views on the subject of character and credit were very strongly presented.

In the second day's morning session J. W. Hoopes, vice-governor of the Federal Reserve Bank of Dallas, Texas, was called on to take the place of Judge W. F. Ramsey, Federal reserve agent of the eleventh district, since Judge Ramsey could not be present. Hon. Lee Cruce, ex-Governor of Oklahoma, followed with an address on "The Guaranty Bank Law," an argument for the guarantee of bank deposits as now in use by the state banks of Oklahoma. One of the most noteworthy addresses was that of James B. McCargar, vice-president of the Crocker National Bank of San Francisco, on "The Trade Acceptance." After Mr. McCargar had presented his points in an able and concise manner, the association went on record as favoring the trade acceptance. The association also adopted a resolution pledging its assistance to help the government win the war. Brief reports telling particularly of the work done in connection with the Liberty Loan, were made by representatives of each county in the state, as well as from San Francisco, Los Angeles and El Paso.

Between sessions the bankers and their wives were entertained most delightfully.

Officers elected by the Arizona Bankers Association are as follows: President, P. P. Greer, president First National Bank, Globe; vice-president, M. I. Powers, president Citizens Bank, Flagstaff; secretary, Morris Goldwater, president Commercial Trust & Savings Bank, Prescott; treasurer, J. R. Todd, manager Gila Valley Bank & Trust Company, Globe.

R. E. Moore, vice-president Valley Bank, Phoenix, was elected vice-president of the American Bankers Association for Arizona; Morris Goldwater, member of the nominating committee.

Collecting Ten Million A Day

BY HOMER JOSEPH DODGE

Editor, Bankers' Information Service

THE Bureau of the Internal Revenue has been reorganized to handle the gigantic task of collecting $3,400,000,000 of war taxes—approximately $10,000,000 a day for every day in the year. Even the banker's mind must be geared down to comprehend the biggest figures. In humbler terms, then, the job of the Internal Revenue Bureau is to collect from a more or less unwilling citizenry the sum of approximately $388,000 an hour, every hour out of the twenty-four, every day in the year.

The old Bureau was efficient enough in its way, collecting many hundreds of millions of dollars of war taxes each year, but its machinery was seen to be wholly inadequate to meet the present tax demands. Furthermore, the job is to become bigger and bigger for the period of the war, for doubt has passed that Congress will neglect to increase the income and war excess profits taxes and perhaps some more besides.

The first step in the reorganization was the appointment of Daniel C. Roper, former First Assistant Postmaster General, as Commissioner of Internal Revenue. He succeeded Col. W. H. Osborn, whose failing health caused him to relinquish his post. Mr. Roper was serving on the Tariff Board, a quiescent body in these days of naval dictation of tariff policies, when he was summoned to take Col. Osborn's chair.

Since Mr. Roper took office, the Bureau under his charge has undergone a complete change, and now is declared to be a model tax-gathering organization, designed along the most accepted business-system lines.

Formerly there were three Deputy Commissioners serving under the Commissioner and the work of the Bureau was subdivided under them. Today the elaborate structure outlined below is in operation:

The Commissioner, Mr. Roper, is in full charge, under the Secretary of the Treasury. As principal and immediate assistants in the administration of the new law he has named two boards—a board of War Excess Profits Advisors and a board of Legal Advisors. The former is composed of: Cordell Hull, Representative in Congress for Tennessee, celebrated as an income tax expert and a member of the Ways and Means Committee; T. S. Adams, economist of Yale University; Wallace D. Simmons, president the Simmons Hardware Company, St. Louis; J. E. Sterrett, of Price, Waterhouse and Company, accountants, New York City; S. R. Bertron, of Bertron, Griscom and Company, bankers of New York City; E. T. Meredith of Des Moines, editor *Successful Farming* and a director of the Federal Reserve Bank of Chicago; T. W. McCullough, editor *Omaha Bee;* Stewart W. Cramer of the National Council of Cotton Manufacturers, Charlotte, N. C., and Henry Walters, chairman of the board, Atlantic Coast Line and Louisville and Nashville Railways.

The board of Legal Advisors consists of Samuel Untermyer, New York; John Barton Payne, Chicago; A. A. Ballantine, Boston.

The purpose of these boards is to undertake the heavy task of interpreting the law. As always in the case of new statutes, there are many uncertainties in the Act of October 3, 1917—the War Revenue Law. For instance, the War Excess Profits Advisors now are engaged upon a construction of the terms of the law touching invested capital. A definition of this term, governing deductions and allowances under the various taxes imposed will be made by the board and will be used as a general guide in handling vexed questions arising.

It is the intention of the government to have this board co-operate to the fullest possible extent with the public with a view to reaching a common ground on which the enforcement of the law can be effected with a minimum of friction and misapprehension.

Next in the reorganization chart comes the office of Assistant to the Commissioner, an office which has been filled by J. H. Callan. He is expected to keep in touch not only with the work of the Commissioner and the two boards, but also with every other branch of the Internal Revenue Service. He is to serve as the go-between for the three ruling entities and the subdivisions of authority.

The next step in the reorganization means arrival at the bulwark of the bureau, the working forces. They are as follows:

Deputy Commissioner Luther E. Speer, under whose immediate direction come the administration of the income, war excess profits and munitions taxes. Further development of this bailiwick would embrace a proving division, a filing division, a sorting division, an audit and correspondence division and a division of statistics.

Deputy Commissioner David A. Gates, in immediate charge of the following: Tobacco, distilled spirits, capital stock and estates taxes, with subdivisions of a tobacco division, a distilled spirits division and an estates and capital stock tax division.

Deputy Commissioner G. E. Fletcher, in charge of divisions handling stamp taxes and a miscellaneous division.

C. G. Lewellyn, Acting Supervisor of Collectors' Offices in charge of organization, methods and personnel.

L. G. Nutt, Chief Revenue Agent, who has charge of the inspection work.

C. B. Hurrey, Supervisor of Business Co-operation. This is a new job entirely. Mr. Hurrey is expected to carry on a publicity propaganda which will conciliate the American public in the matter of war taxes and cause them to adopt an attitude toward the payment of taxes reminiscent of that alleged to be assumed by the children of the land toward castoria. Mr. Hurrey is charged with the difficult task of lining up the thousands of business organizations of the country for helpful co-operation with the government in the matter of war tax collections. He also will seek to put in the hands of the public information which will aid them in making returns and paying taxes in a manner which will cause the government the least amount of difficulty and delay.

Each one of these many subdivisions has other subdivisions, so that, under the reorganization, the whole Internal Revenue Bureau is built up like an Egyptian pyramid.

The work of the new tax-gathering machine has begun with briskness and enthusiasm. The lack of help is having a hampering influence, but it is planned to greatly expand the personnel. Now there are 750 employees in the Washington office of the Bureau and 5,000 in the field, which includes all the collectors' offices. From 1,500 to 3,000 new employees are to be added to the rolls to help the government bring in the war taxes.

At first it is expected that the machine will develop some points of friction and prove a trifle expensive, but in the second year of its operation, at the latest, a large saving is expected to accrue as the result of the business system introduced.

During the fiscal year ended June 30, 1916, the cost of collecting the internal revenue was $14.04 per $1,000 or 1.4 per cent. For the fiscal year ended June 30, 1917, the cost had been cut to $9.53 or .95 per cent. per $1,000. The average cost per $1,000 collected for the history of the bureau is $23.21 or 2.32 per cent. The 1917 cost was the lowest on record.

Under the new plan of activity Commissioner Roper hopes to reduce frauds upon the internal revenue to a negligible minimum. By a patriotic appeal to the people and by alert methods of detection, every cent of tax owed the government will be diligently sought.

An especial effort will be made to reach the farmers, small wage earners and many others who heretofore have either not been subject to the income tax or have not paid it, either through ignorance that a tax was due or failure of collectors to enforce the law. It is estimated that the new revenue law brings seven million persons within its scope heretofore tax-free. Four million of these are estimated to be farmers—a very difficult class to reach.

An effort will be made, through the co-operation of the Federal land banks and other media, to instruct the farmer in the provisions of the act and to aid him in reaching accountings which will demonstrate whether or not he owes a tax to the government.

The work of interpreting the new revenue law was, of course, as new to the officials of the Internal Revenue Bureau as it was to the general public, so, to date, not much has been accomplished in drafting regulations and rendering opinions and decisions as to how the tax shall be applied. The War Excess Profits Advisors are at work on regulations which they expect to have ready for the public about January 1, 1918. Meantime a few treasury decisions have been issued under the new act. They may be briefly digested as follows:

Estates Tax

Household effects and personalty used by husband and wife shall be deemed the property of the husband and be included in his gross estate.

Bonds of domestic corporations owned by non-resident decedents, such bonds being physically situate outside the United States, are not returnable as a portion of gross estate.

Amounts deducted for support of decedent's dependents must not exceed amounts allowed by state laws of the jurisdiction; must be actually expended and for actual dependents.

Increase of rates upon estates of decedents dying on and after October 4, 1917, does not apply to decedents dying in the military or naval service of the United States during the period of the present war or from wounds suffered in the present war in a period of one year after its close.

Income Tax

Verification of returns of individuals in the military or naval service of the United States at home or abroad may be made by officers.

All dividends paid out of amounts set aside to cover depreciation and depletion constitute taxable income to the stockholder receiving them.

Interest paid on sums borrowed to invest in the Second Liberty Loan may be deducted and sums invested by corporations or partnerships in either Liberty Loan, out of capital, surplus or undivided profits, will be counted as invested capital for purposes of deduction.

War Excess Profits Tax

Provisions noted in last preceding paragraph also apply to this tax.

War Excise Tax

All ornaments worn for personal adornment defined as jewelry, including watches, garters, suspenders, key rings and like articles if embellished. A wrist watch is jewelry if on a metal bracelet; not if on a leather bracelet and worn wholly for utility.

Corporation Income Tax

The time for making returns pursuant to Titles I and II of the Act of October 3, 1917, in the case of corporations whose income tax returns have been made or shall be made upon the basis of a fiscal year ending during the calendar year 1917 is extended to January 1, 1918.

Various other treasury decisions have been handed down relating to administrative details of the liquor and tobacco taxes. They are chiefly of interest to the directly affected trades.

WOMEN'S WORK IN WAR TIME

"Women's Work in War Time," by W. Irving Bullard (The Merchants National Bank, Boston).—This pamphlet of eighty-five pages sets forth convincingly the necessity of mobilizing the "woman power" of the nation to replace the "man power" if we are to be successful in the great world struggle. Statistics are given as to what has been done in the various industries of England and France. According to this treatise women are now successfully employed in such trades as leather tanning and currying, printing, silver and electroplating, and many others heretofore almost entirely monopolized by men. The conditions under which it is best for women to work, the disadvantages of night work, etc., are lightly touched upon.

The concluding paragraph invites correspondence and offers the services of the Textile Department of the Merchants National Bank to those seeking information on the subject under discussion.

Mexico's New Constitution as an Aid to Confiscation and Robbery

The Production of Copper, Lead, Silver, Rubber and Food Has Been Seriously Curtailed and the Oil Fields Are Threatened—The United States Has Recognized This Constitution Indirectly and Unless the Recognition Is Qualified and a Firm Stand Taken, the Consequences May Be Disastrous.

BY T. E. GIBBON
Of the Los Angeles Bar

THE most important immediate effect of present conditions in Mexico is found in their relation to the products of that country most urgently required by the United States and its allies in the prosecution of the war. These products may be grouped under the heads of metals, oil, rubber and food-stuffs. All are prime necessities of the allied nations engaged in war at the present time.

METALS

Some time ago certain American mining interests operating in Mexico compiled a statement showing the effect of the unsettled conditions in Mexico upon the mining industry in that country controlled by Americans. This statement showed that the American-controlled mining properties in Mexico named in the statement represent a cash investment in United States currency of $125,000,722. It is hardly necessary to say that this sum is not the actual value of these properties which, under proper operation, would largely exceed that amount.

The statement referred to also shows that in years of ordinary operation, these mining companies had employed an average of 62,216 Mexicans in conducting their business, and that to pay these Mexicans required an annual disbursement in wages of $16,088,363.

The effect of conditions in Mexico upon metal production by the American-owned mines in that country is shown by the following table of production of mines represented in the statement which takes the year 1912, being the last year of normal production, as the basis and compares it with the production of the first half of the year 1916:

	1912	First Half of 1916
Ore	5,180,059 tons	904,131 tons
Gold	252,843 ounces	39,895 ounces
Silver	31,892,735 ounces	6,200,339 ounces
Copper	74,984 tons	23,156 tons
Lead	70,939 tons	2,928 tons
Zinc	46,765 tons	11,183 tons

It will be noted that the foregoing table shows a reduction of those two metals of prime necessity in conducting war, copper and lead, of about 70 per cent. in the copper production and an excess of 95 per cent. in the lead production.

The record shows that for the half year of 1916 the total wages paid all operatives, both American and Mexican, were $3,671,302, or about one-third of the amount paid in normal years.

All of the American-owned mining companies operating in Mexico are not represented in the foregoing statement: the production of companies representing at least 50 per cent. of the total production not being available when the statement was made. Therefore, 50 per cent. should be added to the loss of metal production shown by the above table.

The American-owned mines have had various difficulties to contend with, but the most menacing conditions appear to have been imposed in those sections of the country which have come under the complete control of the Carranza Government. There the burdens have taken the form of heavy taxes upon the area of mining land owned, and other exactions, which in instances have made it impossible to conduct the mines. It will be noted that in the mining industry the year 1912—the year before Carranza started his revolution—is the last year of normal production. The great Cananea copper mine in the state of Sonora produced in 1912 48,466,513 pounds of copper, 1,497,938 ounces of silver and 7,232 ounces of gold. Then the paralyzing hand of the revolution was laid upon it and at last, after struggling for some time under the burden of taxation imposed by the Carranza Governor, it finally was compelled to shut down in the month of June, last, and since then has not been operated.

It is stated by representatives of the American-owned mines in Mexico that any considerable increase in production can only be secured by conditions of order being restored, and their continuance guaranteed, so that the owners will be justified in investing the capital and assembling the operative forces necessary to secure the increased production desired.

OIL

The exports of petroleum and petroleum products from the Mexican oil fields for the first six months of 1917 are as follows:

Oil—22,140,876 barrels. Gasoline—2,520,000 barrels.

Of these exports, 20,141,876 barrels of oil were brought to this country, and of the gasoline product, 90 per cent. came to this country and 10 per cent. went to the allies.

Recently the Research Department of the Bureau of Mines at Washington, after careful investigation, estimated the maximum petroleum production of the United States for the current year of 1917 at 300,000,000 barrels of crude oil. From this total would be produced 50,000,000 barrels of gasoline and other petroleum products, leaving the remainder for use as fuel oil.

For the year 1917, the total normal consumption of crude oil is estimated at 353,000,000 barrels. If these figures are correct, there will be a shortage in the production of crude oil of 53,000,000 barrels for the current year. It is further estimated that the war will probably increase the estimated normal consumption for 1917 by 20,000,000 barrels which, added to the deficit of 53,000,000 barrels as between the normal consumption and the estimated production, gives an estimated total shortage for 1917 of 73,000,000 barrels.

It is further estimated that there is at the present time in storage in this country a reserve of 150,000,000 barrels of crude oil. This amount will be reduced by nearly one-half by the end of the year to make up the difference between the totals of production and consumption as estimated.

In an estimate recently published of the production of new tonnage by the ship yards of the United States and Great Britain to the end of 1918, it is stated that the new commercial tonnage of each country will probably be about 5,000,000 tons, or a total of 10,000,000 tons for the two countries.

Assuming a sufficiency of oil fuel to be available, these ships should all be built for the use of that fuel on account of the economy in cargo space of oil fuel as compared with coal, which is as fifty-five to one hundred. And undoubtedly many of these ships will be equipped with Diesel engines, which show the marvelous economy of one to six as compared with vessels burning coal.

These considerations enforce the importance of not only preserving, but increasing, the potential capacity of the Mexican oil fields for producing fuel for the use of ourselves and our allies.

The leading operators of oil properties in Mexico state that, under proper conditions, the production can be increased within a very short time to 150,000,000 bbls. per annum and later to almost any amount.

That this estimate is in no sense exaggerated is shown by the very wonderful character of the Mexican oil fields. Almost all the oil exported by the largest producer in those fields is at the present time produced by two wells, one of which for seven years has been yielding oil at a rate never less than 20,000 bbls. per day, and another from which less than 30,000 bbls. per day is now being taken, but which, by a steady test flow of nine days, has been demonstrated to have a maximum yield of more than 250,000 bbls. per day.

In view of the superior character of oil as a fuel for marine use, and of the necessity for enormous quantities to meet the war requirements of the allies, certainly nothing can be more important to the successful prosecution of the war than the production of oil.

The present production from the Mexican oil fields does not show any reduction from former times for the reason, undoubtedly, that the oil fields have never come under the control of the Carranza party. The section where they are situated has been, and at the present time is, controlled by a revolutionist named Manuel Pelaez who, in addition to asserting his independence of Carranza, has issued a declaration bitterly criticizing the latter's anti-American policy and expressing a strong friendship for Americans and desire to encourage the investment of American capital in Mexico and give such investments full protection.

With the permission recently given Carranza by our government to take war munitions from this country, it is feared that Pelaez may shortly be overcome by the Carranza forces and that the oil-producing territory will come under the control of the Carranza government. What this may result in will be shown later but, in passing, it may be noted that, as a result of the control by the Carranza forces of a narrow strip of land along the coast, which includes the ports from which oil shipments are made, the concession to the oil companies of ten years of freedom from taxation and duties, made by the Mexican government as an inducement to the development of these oil fields, has been abrogated and a burdensome export tax has been imposed upon the oil by the Carranza government.

RUBBER

Some years ago it was discovered that the Guayule shrub which grew upon an extensive area of the semi-arid land of Mexico contained a large element of good rubber. From the treatment of this shrub a rubber industry was built up by American capital which produced, in normal years, the very considerable volume of more than 28,000,000 lbs. The effect of conditions in Mexico upon the production of this prime necessity for war, as conducted in modern times, is shown by the following table beginning with 1910, the last year of normal production, and extending to and including the year 1916.

PRODUCTION OF GUAYULE RUBBER

From January, 1910, to December, 1916

Year	Pounds Produced	Average Price per Pound	Total Value U. S. Cy.
1910	28,488,320	75c	$21,366,240
1911	24,144,960	51c	12,313,929
1912	20,172,000	49c	9,884,280
1913	6,177,840	40½c	2,502,025
1914	1,904,000	36c	685,440
1915	5,976,007	30c	1,792,802
1916	1,070,924	32c	342,695

It will thus be seen that the production of this prime necessity for the military establishments of our country and its allies, has been reduced by more than ninety-six per cent. Nor is all of the loss shown on the face of the above statement.

It will be noted that this rubber was brought into the United States on railway lines, and without the use of any ocean tonnage, and it is the only source from which rubber can be obtained for the use in our country, save by importation in ships. As the result of this destruction of rubber production in Mexico, more than 27,000,000 lbs. of rubber, to offset the loss in Mexican production, must be brought into the country at the expense of the use of that much martime tonnage which may, of course, be used for other purposes necessary to the welfare of the allies if the Mexican production of rubber can be restored.

The managers of the companies, which have been engaged in producing rubber in Mexico assert that, with the restoration of conditions which would guarantee full protection of their business from violence, and also from unjust taxation, the maximum production shown in the foregoing table can be very quickly restored for the reason that, up to the present time, their works have not been seriously damaged. At the same time it must be borne in mind that the process of deterioration of unused manufacturing plants, especially when situated in a country where, as in the case of Mexico, the application of proper care to these plants is attended with great difficulty, is progressive, and in a short time, if these plants remain unused, it will become a very serious matter.

FOOD-STUFFS

It is, of course, impossible to give accurate figures concerning the potential production of food-stuffs in

Mexico under proper conditions. Certain illustrative instances may be given, however, from which deductions may be fairly made. I have in mind, the case of an American-owned ranch of some 850,000 acres situated in Lower California, just south of the international boundary line. At the beginning of the war, there was running upon this ranch 25,000 head of graded cattle together with thousands of sheep and hogs. The stock cattle were pastured upon wonderfully rich natural pasturage in the delta of the Colorado River and before being turned out for beef, were fattened on forage produced on the ranch which has about 40,000 acres of land thoroughly irrigated and reduced in cultivation. This land produced enormous forage crops and a large quantity of wheat. The capacity for forage production may be judged from the fact that from seven to nine mowings of alfalfa per annum produced twelve to fifteen tons of forage per acre and fifty tons of Egyptian corn per acre was normal production. This ranch, in addition to the produce of its own herd, fattened a considerable number of cattle each year which were purchased in the United States and taken across the line to be prepared for market and afterwards returned as beef cattle. In this way, it could turn out 8,000 to 10,000 head of beef cattle per year besides large quantities of mutton, pork and a very considerable production of wheat. It is not an exaggeration to say that this one property properly handled can produce, at the present time, food for 100,000 people each year. All the stock and forage production of this ranch has been utterly destroyed. Some of the land is now being farmed by American citizens living across the border who are cultivating cotton, that being the crop which is least likely to be looted by the predatory crowds that have been enlisted as so-called soldiers by the revolution.

Another cattle ranch of 2,000,000 acres, owned by Americans, lies just south of the New Mexico border. One of the owners of this ranch said recently that for more than a year they have had several thousand head of beef catle ready to be brought to our markets but have been unable to get one of them across the line on account of the confiscatory export tax which has been levied by the Carranza government.

There are many other large ranch properties owned by Americans in Mexico in similar condition and capable of producing great quantities of food products under proper conditions. In addition there are a great many smaller holdings in Mexico belonging to Americans who, during the Diaz period, acquired these properties, made homes upon them and established the production of food crops which, in the aggregate, would amount to a very considerable addition to the food supply of the world. These properties have been abandoned on account of the uncertainty of life and property which has existed in Mexico during the past four years. Also conditions in Mexico have been such that the production of food crops by the natives has been so reduced that it has been, and now is, necessary to import food from the United States into Mexico to prevent the people of that unfortunate country from starving to death; thus adding an additional burden to be sustained by the food supplies of this country.

FINANCIAL RETURNS

It is estimated that a billion dollars of American money and more than a half a billion dollars of money of our allies, England and France, are invested in Mexico. Foreign investments of a character attractive to capital must hold out the promise of returns averaging a good deal higher than the owners of the same capital require from investments in their own country. A study of the character of our Mexican investments would appear to indicate that, as a general thing, they possess this characteristic and, under favorable conditions for operation, would, as a whole, return a very considerable income upon the principal invested in them. This increment of profit that should flow to our citizens and our allies, if their investments in Mexico are properly protected, would undoubtedly be a factor of some importance in bearing the war expenses which will shortly press so heavily upon us all. There has certainly never been a time in the experience of the present generation when it has been so important to conserve, and increase, the income producing capacity of every American investment as it is now. In addition to the losses brought about by conditions in Mexico, of products vitally necessary to carrying on the war, the loss of income from American and allied investments produced by the same cause will add considerably to the burden of carrying the rapidly increasing expenses of the war.

On several hundreds of millions of dollars, invested by citizens of our country and its allies in the stocks and securities of Mexican railroads and industrial corporations, no dividends or interest have been paid for some years. At the present time, when the products of business enterprises controlled by our citizens in Mexico are most in demand and command the highest prices that they have reached for a number of years—conditions which should secure a maximum of profitable return from these enterprises—their earning power has been either greatly reduced or entirely wiped out. There would appear to be no good reason why these conditions might not be very quickly and radically changed if our government should take the position with Mexico, that foreign owned business enterprises in that country must have full protection to which they are entitled under international law. Such attitude upon the part of our government should restore conditions of safety and encourage these foreign-owned enterprises; which would not only quickly restore them to their highest producing capacity but might also lead to such a general revival of business in that country as would assure to its railroads, and other public service enterprises, incomes which would make it possible for them to pay the dividends and interest upon their securities, as they did before the unsettled conditions now prevailing in Mexico arose.

THE FUTURE OF FOREIGN-OWNED BUSINESS ENTERPRISES IN MEXICO

It thus appears that, with the exception of oil, conditions in Mexico have reduced the production of articles required by this country and its allies in the prosecution of the war from 70 per cent. in the case of copper and more than 96 per cent. in the case of rubber, to nothing in food-stuffs, and has largely destroyed the income-producing character of investments of our country and its allies amounting to a billion and one-half dollars.

Furthermore, if we may judge the future of Mexico under the Carranza government, whose *de jure* character President Wilson has recently recognized, by the past records made by that government and its principal supporters, there is not only no hope that conditions in Mexico that have resulted in the destruction of foreign business in that country will be ameliorated but every promise that they will grow worse as time goes on unless the United States Government shall make up its mind to require the government in Mexico, which it has recognized as a member of the family of nations, to live up to its obligations under international law in the treatment given by it to the persons and property of our nationals, and those of our allies, within its borders.

Just how strong the necessity for such action on the part of our government is, can be abundantly shown by a glance at the record that has been made in the past by the Carranza party and the instrumentality for the robbery of foreigners that it has provided itself in its new constitution.

As showing the predatory attitude of the Carranza government toward the property of foreigners in Mexico in the past, and indicating what foreign interests in Mexico may expect from that government in the future, the history of its relations to the Bank of London and Mexico, a large financial institution in Mexico City representing English capital, may be cited.

On July 3 *El Universal*, a prominent daily newspaper of Mexico, published the annual report of the board of directors of that bank. This publication said:

> It was then reported that of the amount of more than nineteen million pesos in gold and silver in bars and coin money which had been in the bank's vaults, there had been slowly taken away from January 18, 1917, until the present time, the sum of over seventeen million pesos; there remaining in the vaults according to information received by the board of directors, only about two million pesos. In the report it was stated that the board of receivers (a board appointed by and representing the Carranza government), ordered that the cash department and the safes should always remain open, which measure obliged the board of directors to put a corps of employees on guard in this department, day and night, to avoid responsibility for abstraction of funds from the vaults falling on those not responsible.
>
> The board stated categorically that of the $19,611,141 in specie which were in the vaults of the bank, hardly $2,000,000 remain as the board of receivers had disposed of the difference, and that the said board of receivers has sold at the lowest of prices, securities considered first class by the bank.
>
> That on February 15, 1917, the Department of Finance refused to recognize the bank's board of directors, refusing to take up any matter connected with the institution with them and ordered that the board of receivers liquidate the bank.
>
> Mention was made of a communication from the Department of Finance in October last year, asking for delivery to the mint of the bars of metal which the bank had in vault and a message from the Sub-Secretary of Finance was annexed, sent from Queretaro to the manager of the bank, categorically stating that the money coined therefrom would be returned to the bank; and it was reported that notwithstanding this assurance given by the Sub-Secretary of Finance, compliance with this written offer has never been made.
>
> Finally it was stated that of 820 silver bars, taken by the government, worth more than a million pesos, national gold, and eighty gold bars worth 1,840,119 pesos, to be coined by the mint, they have returned to the bank, in the breach of the offer made from Queretero by the Sub-Secretary of Finance, only 299,675 pesos for the silver bars and 200,000 pesos for the gold bars, causing the bank a deficit of 2,697,387 pesos.

There is every reason to believe that the state governments, in their relation to foreign-owned investments, will follow the same course. We know that at the present time the governors of the various Mexican states are almost all men who have reached some prominence in the military forces of the Carranza party. The character of these men appears to be very fairly indicated in a series of articles, lately published by Luis Cabrera, Secretary of Finance, in *El Universal* in the City of Mexico, which it appears were provoked by accusations that he and his friends had profited by his control of the national finances. In these articles, while admitting that large sums of money have come into the possession of military officials of the revolution as a result of robbery and confiscation of properties, he denies that this money had found its way into the national or state treasuries.

In his explanation, Secretary Cabrera shows how this was done by the commanders of revolutionary forces:

> By disposing of articles other than money, such as furniture, automobiles or real estate, for personal use or for profit.
>
> During the constitutionalists' revolution, the case has been repeated, with unfortunate frequency, under the pretext of confiscating "intervened" properties, and great quantities of private property have been seized in the beginning for the nation, but the confiscators have used them for personal profit or sold them for money. It is unnecessary to bring proofs of this, for, unfortunately, almost all of the confiscation of the enemies' properties, with honorable exceptions, have been made with the deliberate intention of converting the goods for private use. This goes from the mere "loan" of a horse or saddle, from the requisition of grain and fodder which are not used for the troops, to the occupation of houses, property and ranches which have been confiscated and were cultivated and exploited directly for the benefit of the confiscator.

In the above quotation we have the estimate, made by a leading revolutionist and prominent national official, of the leaders, with a few exceptions, of the Carranza party now in power in Mexico—the men who are, and will be, most prominent in the national and state governments of that country.

An instance of the treatment meted out to American investors in Mexico by a Carranza governor occurred in the state of Sonora, General Calles, the governor of that state appointed by Carranza, arbitrarily assessed the unproductive lands belonging to the Richardson Construction Company, an American-owned corporation engaged in a great reclamation project, at the value of cultivated lands, notwithstanding the fact that this corporation had a concession from the Mexican Government relieving it from taxation for a number of years in consideration of its carrying out a plan for an investment of more than ten million dollars for the purpose of putting water on about 800,000 acres of desert land in the Yaqui Valley. The corporation refused to pay this unjust and confiscatory tax and some of its properties were sold at public auction by order of the governor.

The corporation was furnishing irrigation water for about twenty-five thousand acres of land and the governor ordered it to accept, from the purchasers of the water, the depreciated Carranza currency, then in circulation, but required that it should pay all taxes and assessments in American gold. Later the governor ordered that one-half of all receipts from irrigation should be delivered by the company to him. This last exaction convinced the company of the impossibility of doing business under such conditions and it closed down its business and abandoned the state.

It was this same Governor Calles who levied taxation upon the great copper mines at Cananea owned by an American company that was so excessive as to make it impossible for the company to carry on its business and in the month of June it shut down all operations, throwing thousands of Mexicans out of employment and stopping its production of copper.

The foregoing instances, which are merely illustrative and might be multiplied to an indefinite extent, will serve to indicate the attitude of the Carranza Government, both national and state, toward foreign investments.

THE CONTINUING MENACE OF THE NEW MEXICAN CONSTITUTION

Students of Mexican affairs can have no illusions as to what Mexican national and state governments will do to foreign investments in that country if they have the opportunity to work their uncontrolled wills upon them. Nor can there be any doubt that these men, in the new constitution that they have adopted, have provided themselves with the most perfect instrument that has ever been devised by human intelligence for robbing, under the form of law, the individuals and corporations that have accumulated property in their country. A glance at a very few of the leading provisions of the Mexican constitution of 1917 will show how true this is. Section XIV of Article 27 of this constitution provides:

Commercial stock companies shall not acquire, hold or administer rural property. Companies of this nature which may be organized to develop any manufacturing, mining, petroleum or other industry, excepting only agricultural industries, may acquire, hold or administer lands only in an area ABSOLUTELY NECESSARY for their establishments or adequate to serve the purposes indicated, WHICH THE EXECUTIVE OF THE UNION, OR OF THE RESPECTIVE STATES, IN EACH CASE, SHALL DETERMINE.

It will be noted that there is no provision for an appeal from the exercise of this most despotic power by a national or state executive.

Can it be supposed for a moment that men in office in Mexico will neglect such an opportunity for robbing the foreign owners of mining properties, by either arbitrarily taking from them the larger and more valuable part of their holdings or by extorting money from them by threats of exercising this power. In the same Article 27 is also found the following provision relating to mineral deposits, including petroleum:

In the nation is vested direct ownership of all minerals or substances which in veins, layers, masses or beds constitute deposits whose nature is different from the components of the land, such as minerals from which metals and metaloids used for industrial purposes are extracted; beds of precious stones, rock salt and salt lakes formed directly by marine waters, products derived from the decomposition of rocks, when their exploitation requires underground work; phosphates which may be used for fertilizers; solid mineral fuels; petroleum and all hydrocarbons—solid, liquid or gaseous.

Under the national laws of Mexico formerly in force the mineral deposits contained under the surface of the land belonged to the owner of the land. Provision of the new constitution above quoted changes this radically and, if the declarations of some of the national officials of Mexico are to be taken at their face value, it is proposed to use this provision of the new constitution as authority for the nation's taking possession of all mineral deposits under or contained in lands held by private title. In fact, the matter of the nation's taking possession of and administering the great petroleum deposits contained within the boundary of private-owned lands has been made the subject of discussion by President Carranza in his message to the Mexican Congress, and there is little doubt that it will be made the subject of confiscatory official action, unless the men in power in Mexico are deterred by the attitude of the other nations of the world.

It will be noted, also, that under the provisions of the first three lines of Section IV of Article 27, above quoted, no corporation has at the present time any right to own rural lands in Mexico and, by the law of the Mexican constitution, the millions of acres of rural lands heretofore acquired by foreigners in that country and whose titles were conveyed to corporations organized under Mexican law, stand today absolutely divested of any private ownership whatever.

Section VII of Article 27 provides as follows:

During the next constitutional term, the Congress and the state legislatures shall enact laws, within their respective jurisdictions, for the purpose of carrying out the division of large landed estates, subject to the following conditions:

(a) In each state and territory there shall be fixed the maximum area of land which any one individual or legally organized corporation may own.

(b) The excess of the area thus fixed shall be subdivided by the owner within the period set by the laws of the respective locality; and these subdivisions shall be offered for sale ON SUCH CONDITIONS AS THE RESPECTIVE GOVERNMENTS SHALL APPROVE, in accordance with the said laws.

(c) If the owner shall refuse to make the subdivision, this shall be carried out by the local government by means of expropriation proceedings.

(d) The value of the subdivisions shall be paid in annual amounts sufficient to amortize the principal and interest within a period of not less than twenty years, during which the person acquiring them may not alienate them. The rate of interest shall not exceed 5 per cent. per annum.

(e) The owner shall be BOUND TO RECEIVE BONDS OF A SPECIAL ISSUE to guarantee the payment of the property expropriated. With this end in view, the Congress shall issue a law authorizing the states to issue bonds to meet their agrarian obligations.

Thus machinery has been prepared by which the amount of real property owned by any individual or corporation may be limited and the owner may be forced to accept, for all excess of real estate which he owns, prices fixed by the state in state bonds which, at the present date, would certainly not be worth the paper upon which they are printed.

In the opinion of many persons who have given considerable thought to it, the new Mexican constitution is charged with very serious menace in several forms to business interests. While in the past there have been, in various countries, attacks upon property rights by legislation of a socialistic character, these have not been very serious for the reason that, being legislative, they have been easily corrected when their harmful character was demonstrated.

But never in the history of civilized nations has any such attack upon property rights been made in the organic law of any nation as that with which the new Mexican constitution is filled. A few of its many provisions of this character are:

(a) By its terms it destroys the title of foreign-owned Mexican corporations to millions of acres of land.

(b) It vests the national and state executives with power to declare arbitrarily any amount of the land area owned by a manufacturing, mining, petroleum or other industrial corporation unnecessary to the business of the corporation, and to divest the corporation of title to this land, and no appeal is provided from the exercise of this power.

(c) It requires the appointment in each municipality of commissions which are directed, in mandatory terms, to prescribe the minimum wage to be received by workmen which shall be sufficient "to satisfy the normal needs of the life of the workman, his education and his lawful pleasures, considering him as the head of a family," and to determine the rate at which the workman "shall have the right to participate in the profits of all agricultural, commercial, manufacturing and mining enterprises in which he is engaged."

(d) It prescribes eight hours as the maximum limit of a day's work and seven hours as the maximum limit of a night's work.

(e) It provides that where, owing to special circumstances, it shall become necessary to increase the working hours, the overtime shall in no case exceed three hours per day, nor continue for more than three consecutive days, and double wages shall be paid for all overtime.

(f) It provides that before any strike may be considered unlawful, *a majority of the strikers must resort to acts of violence against persons or property.*

(g) It invests the national executive with "the exclusive right to expel from the republic, forthwith and without judicial process, any foreigner whose presence he may deem expedient," and from the exercise of this power there is no appeal.

The foregoing are only a few of the many confiscatory, socialistic and arbitrary powers with which this constitution invests the various departments of government and are cited merely to indicate the character of the whole instrument.

When General Carranza started his revolution against Huerta he, and sixty-four of his officers, signed a pledge to restore the constitution of 1857, which was an admirable instrument based largely on that of our own country. This pledge was afterwards repeated by General Carranza in declarations made to the civilized world, in communications to our government and in a communication to the representatives of the American republics who composed the A.B.C. conference.

It is possible that when these pledges were made they were made with the intention of being kept. That they were not kept evidently arose from the fact that General Carranza found it impossible to maintain his leadership unless he conceded a new constitution charged with all the powers of confiscation and robbery that we find the constitution of 1917 to possess. Rather than lose his position of leadership, he permitted his followers, contrary to their many pledges, to throw the constitution of 1857 on the scrap heap and enacted this new constitution.

That the same controlling influences that forced the adoption of the new constitution will also force the use, to the fullest extent, of its confiscatory provisions, there can be no sort of doubt. The only thing that can prevent this will be the influence of some foreign country and, apparently, ours is the only country at the present time in a position to exercise such influence.

Of course, the personal and property rights of American citizens in Mexico are protected by the principles of international law as well as by treaties heretofore entered into between the Mexican nation and ours. The very adoption by Mexico of such an organic law is a violation of the rights of Americans who have acquired property in Mexico or have established domiciles there. But this fact will avail nothing unless our government shall show a disposition to protect these rights.

The President has recognized the *de jure* character of the government which Carranza and his followers are giving Mexico.

The Department of State asserts that this recognition does not carry with it a recognition of, or consent to, the new constitution. But the recognition, as given, is not qualified by any objection to the new constitution and, unless that objection shall be made in terms, the recognition will undoubtedly be construed by Mexico, and by all others interested in establishing the binding character of the new constitution, as a recognition of it.

Should the recognition by our government of the Carranza government in Mexico and the recognition which it implies of the Carranza constitution stand unqualified, then the greatest of American nations, and the one whose people have heretofore prided themselves upon the fact that it has, during all its history, furnished the finest example of respect for personal and property rights and obedience to the laws which protect those rights, will be placed in the attitude of an encourager of those lawless elements the chief purpose of whose existence is the defiance and the overthrow of those rights.

RESERVE BANK BRANCH AT CINCINNATI

Charles A. Hinsch, president of the Fifth-Third National Bank of Cincinnati and president of the American Bankers Association, has been chosen as one of the directors of the Cincinnati branch of the Federal Reserve Bank of Cleveland, the fourth branch to be organized this year. The other directors are: Judson Harmon, W. S. Rowe and William C. Proctor, of Cincinnati, and L. W. Manning, of Cleveland.

Conference on Trade Acceptances Starts a Nation-Wide Business Movement

Held Under the Auspices of American Trade Acceptance Council, It Brings Together Bankers, Credit Men and Business Men in a Discussion on Ways and Means for a Campaign of Education—Advantages of the Acceptance Over the Open-Book Account.

BY GEORGE LEWIS

UNDER the auspices of the American Trade Acceptance Council, there was held in New York, Friday, November 23, a trade acceptance conference which was designed to put 10,000 horse-power into the start of the trade acceptance movement. Bankers, merchants and credit men participated; and that the desired impetus was obtained there cannot be the slightest doubt, for the addresses and discussions brought out a surprising number of indications that the business world needed only a guiding hand to give serious thought to the supplanting of open-book accounts with trade acceptances.

To furnish this guidance was the mission of the American Trade Acceptance Council in this conference. Every viewpoint of the situation, whether it concerned the advantage of the acceptance to the seller, the buyer, the credit man or the banker, was carefully canvassed and illuminated. To give added strength to the conference, the New York Credit Men's Association held a trade acceptance meeting the night before, at which Lewis E. Pierson of New York, chairman of the Acceptance Council, told what the movement meant and what the Council was trying to accomplish. In this he was assisted by George Woodruff of Joliet, Ill.; Robert H. Treman, Deputy Governor Federal Reserve Bank of New York; Oliver J. Sands, president American National Bank of Richmond, Va.; and Kenneth Hooker of the Putnam-Hooker Company, Cincinnati, Ohio. All represented the Council, as did William F. H. Koelsch of New York, who presided.

The achievements of the conference are epitomized in the following resolutions, adopted at the conclusion of the full day's session:

Resolutions Adopted

Whereas, First. The Federal Reserve Act affords a means under which the banking system of the United States may be unified and strengthened and the demands of commerce and industry may be adequately cared for at all times, provided the banks and business interests will so shape their affairs to avail themselves of the privileges and benefits of the new system.

Second. The new system provides for the use of the trade acceptance in financing both domestic and foreign transactions and for the establishment of an open discount market.

Third. The use of the trade acceptance in financing such transactions facilitates the operations, is an economy and is a benefit to the buyer, the seller and the consumer.

Fourth. Under the new banking system, the trade acceptance can be used as a basis of currency issue.

Fifth. The strength of our banking position under the new plan is measured largely by the amount of paper that is eligible for rediscount at the Federal reserve banks.

Sixth. Trade acceptances in proper form are not only eligible for rediscount at the Federal reserve banks, but also command a preferential rate at said banks.

Seventh. The United States is at war and the interests and future of the nation can best be served only when the credits of the country are put into such shape as will enable every dollar to exert its maximum strength and service.

Eighth. After careful study and investigation and mature deliberation the United States Chamber of Commerce, the American Bankers Association, and the National Association of Credit Men have concluded that the nation-wide use of the trade acceptance will be a means of strengthening the financial system and protecting commerce and industry. They have accordingly appointed a committee from among their members known as the American Trade Acceptance Council whose duty it is to conduct a nation-wide movement to encourage the use of the trade acceptance by business people and bankers.

Therefore Be It Resolved, That this conference, representing the various lines of commerce and industry, hereby indorses the work being undertaken by the American Trade Acceptance Council and recommends the use of the trade acceptance as a means of strengthening the financial system, protecting the commerce and industry of the nation and aiding the government in its great struggle for human liberty and freedom.

Further, in order to expedite in a practical way the introduction of the trade acceptance,

Be It Resolved, That we hereby urge:

First. That all trade organizations revise their respective selling terms in all credit transactions, keeping in mind the desirability of uniformity in the various lines.

Second. That all bankers and dealers in commercial paper adopt such methods as will insure a wide market and the prompt and economical handling of trade acceptances.

Third. That all commercial industrial bankers and other business organizations arrange for a discussion of the subject of the trade acceptance at every meeting and convention held by them during the year.

Fourth. We hereby extend the thanks and appreciation of all those assembled to the National Association of Credit Men, to the Merchants Association, and especially to our most able chairman, Mr. L. E. Pierson, to the speakers and others who have through their conscientious efforts and courtesies made this the most instructive and valuable conference ever held in this country in the interests of the trade acceptance.

It was plain from the trend of the discussions that the western part of the country is waiting to see what the east is going to do on trade acceptances, but is ready and willing to fall in line. There is not to be much waiting, however, for eastern firms have already adopted the acceptance and the campaign of education inaugurated by the Acceptance Council is broadening rapidly in every direction. Already, as Mr. Woodruff told the conference, twenty-two state bankers' associations have appointed trade acceptance committees and have agreed to furnish a total of 150 volunteer speakers to carry on the propaganda by word of mouth; forty-seven trade associations have appointed committees, with 250 volunteer speakers; fifteen retail associations have appointed trade acceptance committees, and about 1,600 representative wholesale firms throughout the country have adopted the trade acceptance as a substitute for the open account method. It is the intention of the Acceptance Council, as a part of the campaign of education, to have trade acceptances as a topic for address and discussion covered in all future programs of trade association meetings and conventions.

The fact that so large a number of wholesale houses have already gone on record in favor of the trade acceptance, while the retailers are still objects of missionary work, is not surprising in view of the evident readiness of those present at the conference to concede without debate the advantages to the seller, while holding some uncertainty as to the advantages to the buyer. This feature received close attention and one by one the various points in favor of the retailer who is willing to give acceptances were brought out, namely: That he can secure better terms and probably price concessions; that he improves his credit standing by expressing his willingness to meet stated obligations at stated times; and that the necessity of securing from the bank a large line of credit, sometimes larger than necessary, is obviated, because each transaction is taken care of on a credit basis as it comes along. These are angles which are intended to make the giving of trade acceptances a voluntary proposition with the retailers; but if they refuse to see the light the sellers always have it in their power to enforce the use of the acceptance by making it a condition of sale. This hammer-and-tongs method will probably not be necessary, however; at least the conferees expressed a reluctance to use it at this stage of the movement.

So far as the seller's end is concerned, the conference was treated to an illuminating talk by the credit manager of a well-known New York carpet house, who told the experiences of his firm with trade acceptances during the past year and a half. From the point of view of the seller, he stated that the acceptance had demonstrated its superiority over the open account because: it creates a liquid asset, it certifies to the correctness of the transaction, it requires less borrowing by the seller on his own paper at a relatively higher rate, it makes for economy in the collection of accounts, reduces loss by bad debts, mitigates friction arising from the taking of unearned discounts, releases capital for more important purposes, fixes maturity dates and helps the seller in his calculations for future purchasing, relieves him of the necessity of selling accounts receivable at a high rate of interest, assures him of a preferential rate of discount, provides a double liability for the banker, helps the buyer to complete his contract, and increases his own financial standing. A formidable list, this, but not too formidable for the educational task in hand. The man who enumerated the items out of the fund of his own experience made the significant statement, when asked if his house had as yet had occasion to discount any of the acceptances, "No, we have not yet done so; but *we are keeping them as a cash reserve.*" If the observation may be regarded as indicating a tendency, it would appear that liquidity of commercial credit and liquidity of bank assets are within measurable distance of pulling together harmoniously as an efficient economic team.

A part of the discussion that was particularly interesting to bankers was an informal talk by George Wilson, New York manager of the Union Bank of Canada, on the use of business paper in Canada, where it has been one of the fundamentals of business practice from time immemorial. The use of trade acceptances is universal among Canadian banks, said the speaker. The method is for the seller, once or twice a month, to take the accumulated unaccepted drafts to his bank, which forwards them to the branch bank or correspondent located nearest to the buyer. The drafts are there presented for acceptance and are held by the collecting bank until maturity. By arrangement between the buyer and his bank, such acceptances are treated as checks, and on the due date are charged against the customer's account without any red tape. Canadian business would not know how to get along without acceptances, said Mr. Wilson.

"An overdraft is the only open account a bank has," was one of the gems brought out in the discussion. And if a bank doesn't do business on the open-account plan, why should mercantile concerns reserve that privilege? The answer—if there is an answer—was not brought out at the conference.

There have been many definitions of the acceptance. Oliver J. Sands of Richmond presented one that is short

TRADE ACCEPTANCE
(Form Approved by the American Trade Acceptance Council)
Embracing Committees of the
Chamber of Commerce of the U. S.
American Bankers Association
National Association of Credit Men

No........ ....191...

To........
(Name of Drawee)

....
(Address of Drawee)

On........ pay to the order of........
(Date of Maturity) (Name of Payee)

the sum of........ Dollars ($........).

The obligation of the acceptor hereof arises out of the purchase of goods from the drawer. The drawee may accept this bill payable at any bank, banker or trust company in the United States which he may designate.

Accepted at........ on........ 191...
(City) (Date)

Payable at........
(Name of Bank)

....
(Signature of Drawer)

....
(Signature of Acceptor)

By........

By........

but inclusive: "An acceptance is a negotiable acknowledgment of the receipt of goods and a promise to pay for the same at a fixed date and place." Mr. Sands expressed a wish for an acceptance form which might be made to represent the entire transaction from sale to liquidation of the debt, in such manner that the document could be treated as a check for final payment, as is done in Canada. His wish bore fruit at a meeting of the Council the following day, when as a result of painstaking committee work and with the assistance of Thomas B. Paton, General Counsel of the American Bankers Association, the accompanying form was evolved and approved.

As the opening gun in the acceptance campaign, the conference was more than a success. It brought together enthusiasts who were able and willing to work for the revolution in business practice, and all they wanted was to be shown how. Chairman Pierson and his associated members of the Acceptance Council representing the American Bankers Association, the United States Chamber of Commerce and the National Association of Credit Men proceeded to show, and there is no doubt that the initial impetus has been given for a nation-wide movement having a two-fold object, the abolition of the open-account sales system and the adoption of the trade acceptance.

The addresses of Messrs. Pierson and Woodruff follow in full.

AMERICAN TRADE ACCEPTANCE COUNCIL

Address by LEWIS E. PIERSON, Chairman American Trade Acceptance Council, before the Trade Acceptance Meeting of the New York Credit Men's Association

Things have been moving along so rapidly in favor of the trade acceptance during the past few weeks that additional argument in the interest of that institution would appear almost superfluous. The Chamber of Commerce of the United States, the American Bankers Association, and the National Association of Credit Men, the three national business organizations best qualified to speak upon commercial credit matters, have spoken, and in such manner as to leave no cause for doubt as to where the trade acceptance stands in their estimation and in their plans.

The Federal Reserve Board also in no uncertain terms has expressed its approval of the acceptance method and its preferences for this method over any other proposing to serve a similar purpose, and has spared no effort in developing the national rediscount facilities which will be required in bringing the acceptance to its highest effective usefulness.

The three national business organizations referred to have declared themselves most emphatically. They have said that the acceptance is here; that it is here to stay; that in the future of American business, credit obligations arising from the sale of goods should be carried in trade acceptance form; that the open bank account with all its absurdities should go; that single name paper does not represent as good commercial value as paper bearing more than one name and based directly upon a merchandise transaction; that it is illogical for an ordinary merchandise transaction to create more than one direct obligation to pay; that each merchandise transaction should finance itself to the greatest extent possible, that in the future the nation's commercial credit should be carried in more mobile form than in the past; and, most emphatically of all, they have said also that the business of the country in its methods should recognize as of first importance the national interest.

But, these three great organizations did not stop with this general treatment of the situation. They definitely took the position that the acceptance method is simple, easily explained, easily understood, and the merit of its details easily susceptible of demonstration. Theirs was not an academic, but a business attitude. They placed their extensive facilities most fully at the disposal of the business of the country for the purposes of trade acceptance promotion, offered to effect special organizations, to provide speakers and literature, and to take any other action which might be required in bringing the merit of the acceptance method fully and favorably to business men in all parts of the country.

Out of this intensely practical business demonstration occurring at the War Convention of American Business at Atlantic City, grew the American Trade Acceptance Council. This Council entered the field with the definite purpose of heading a continuing national trade acceptance drive and maintaining an intensive acceptance campaign until the best interests of the nation in the commercial credit situation have been fully served.

The Council and the organizations back of it, now including many more than the three originally interested, believe that the present national business situation is peculiarly suited to the purposes of acceptance development. The unmistakable seriousness of war's demands upon national resources has produced a business situation which requires much more highly scientific treatment than that which might have sufficed in the past.

At last, the country is confronted by a financial problem which must find its solution in something which goes considerably beyond a mere improvement in financial methods. Not only must the immediate financial resources of the country be fully conserved and properly utilized, but the fundamental conditions back of those resources must receive careful consideration and treatment. The problem is one in which production, conservation, and utilization all play an important part.

National waste must be eliminated—whether it be found in production, manufacturing, distributing, purchasing, hoarding, or in the treatment of commercial credit obligations. The business man who unnecessarily ties up resources in open book accounts, operates against the national interest just as surely as does the farmer whose wheat rots in the field, or the lumberman who fails to provide against forest fires, or the cotton producer who holds his crop on a purely speculative basis, or the dealer who hoards foodstuffs, or coal, when a clearly defined national interest demands that he do otherwise.

It is fortunate for the acceptance that its possibilities of merit are not confined to the purposes of small business, or big business, or indeed of any particular class of business. In its use the concern operating with a modest capital finds the possibility of meeting its more heavily capitalized competitor upon terms of practical business equality. The relative total volume of business of the two concerns still will remain generally proportional with the capital investment, but the quality of the particular transaction will not be determined by either the size of the business, or the amount of capital back of it.

However, the value of the acceptance method will not in the least be confined to small business. The big business concern which has assumed such a large portion of the burden of keeping the nation's business up to the high pressure production and efficiency standard demanded by war also will find in the acceptance the solution of a great portion of its present financial problems.

For this class of business, the rediscount facilities provided by the Federal reserve system and made so easily available through the acceptance method, will serve a vitally important purpose. Through the use of these facilities, it will be possible to utilize existing commercial credit values most effectively in the interest of national business, and without the danger of producing a condition of inflation, which might operate to the detriment of national interest either during the war or afterwards.

The Trade Acceptance Council approaches its task fully impressed with the importance of the work before it. Its plan of operation is nation-wide. No section of the country will be overlooked—no class of industry left out—no effort or expense will be spared in the endeavor to convince business men and bankers, whatever the scale of their operations, that the best interests of their business and of their country will be served by full co-operation upon their part with the Council in its campaign in the interest of a better national commercial credit condition.

The Council, while fully appreciating the seriousness of the difficulties which must be overcome before the acceptance method can be thoroughly established in American business, feels not the slightest doubt concerning the outcome. Indeed, the progress which already has been made and which is disclosed by a far from complete review of the field, proves conclusively that the country realizes the weakness of the national commercial credit situation and is disposed to give the acceptance method a favorable hearing and a thorough trial.

Reports from various sections indicate that more than sixteen hundred representative business institutions now are using the trade acceptance to cover all, or a part, of their credit transactions, and that many of these organizations are engaged in promoting this method among their competitors.

At least one hundred representative industries widely scattered throughout the country have appointed trade acceptance committees for the purpose of assisting the Council in its educational propaganda. Similar committees are being organized upon a large scale by bankers associations working in close touch wtih the machinery of the American Bankers Association.

The National Association of Credit Men, pioneers in the trade acceptance field, report splendid progress in the development of acceptance organizations among those most intimately interested in the development of proper credit methods in the business of the nation. This association also is conducting a movement among its members whereby the experience of concerns which have tried the trade acceptance method will be made available for the purposes of the Council's national campaign. The value of information of this kind from such sources in the development of a national plan of trade acceptance procedure, naturally, will be very great.

The Chamber of Commerce of the United States is carrying on effective acceptance propaganda through a variety of channels and at present has in process of preparation a referendum which will be submitted to its nearly one thousand affiliated member organizations, requesting a full vote upon certain currently discussed points in acceptance procedure.

The work of organizing the Council itself and co-ordinating the different agencies which are available for its purposes, is proceeding at a most satisfactory rate. Fully equipped headquarters have been established in Room 466 in the Woolworth Building, and even at this early stage in its existence, the Council finds itself able to meet all demands for acceptance information and all requests for assistance in promoting the interest of the acceptance in different parts of the country.

An elaborate plan is being prepared under which authorized acceptance literature is being developed for general business circulation, also a speakers' bureau whereby it will be possible to provide for service in almost any part of the country, speakers fully qualified to discuss the trade acceptance effectively before interested organizations. The Council at present possesses a list of more than two hundred such speakers with new names coming in constantly.

Exceedingly active and nationally representative committees are at work in the solving of special trade acceptance problems—in the preparation of uniform trade acceptance forms—in the development of a national system of trade acceptance procedure for both business concerns and banks—and in the working out of the great mass of important details which are sure to demand attention in the Council's work of introducing this comparatively unknown method throughout the business of the country generally.

This is the situation which the American Trade Acceptance Council presents to the business men and bankers of the United States, requesting their fullest co-operation in securing for it serious and careful consideration.

Acting as it does in a solely representative capacity, the Council realizes that its success in this worthy movement will depend upon the nature of the support it receives from the business and financial activities of the nation in whose interest it has been created.

The acceptance cause is a worthy one. In the present national emergency this method is destined to play a most important part—its national use will go far toward converting into active and usable form the immense value now unavailable because of the general existence of improper methods.

The obligation of the Council is to present the trade acceptance cause in such manner as to do fullest justice to its most substantial merit—that of business and financial interests is to extend complete co-operation to the end that there may be developed financial machinery which may properly supplement national effort in the all-important task of winning the war.

THE RETAIL MERCHANT AND THE TRADE ACCEPTANCE

By GEORGE WOODRUFF,
President First National Bank, Joliet, Ill.

During these time of tremendous national endeavor, when we are making over on more efficient lines so many of our time-honored institutions, it is not surprising that our outgrown and wasteful system of open book accounts should come in for the criticism which it so justly deserves. As a result of this criticism government officials, bankers, manufacturers, jobbers and wholesalers generally are coming to the support of the trade acceptance as the logical successor of the open book account but as yet the retail merchant has not displayed the same enthusiasm for the adoption of this improved credit system, due doubtless to the fact that the average retail merchant has been thinking of trade acceptances from the standpoint of the wholesaler rather than from his own standpoint.

As a matter of fact no one class of business men will profit more from the trade acceptance system than the retail merchant, for no other class is more often taken advantage of by those who purchase goods on credit.

Bankers have long been familiar with the complaint of the merchant that he was compelled to sell on credit, and that the thirty days' credit which he granted was usually strung out to ninety days, four months or longer, this carelessness about paying up leading to collection costs, litigation and bad debts, not to mention the loss of interest on the money tied up. Then, too, what merchant hasn't complained at various times because his banker insisted on living up to the "2 for 1 rule," declining to loan the merchant more than 50 per cent. of the accounts receivable shown on his statement, and how often has the average merchant, especially in small towns, been hampered by the "10 per cent. rule" under which, regardless of the security offered, he could not borrow an amount in excess of 10 per cent. of the capital and surplus of the bank.

To these woes of the average retail merchant there is usually added the competition of the mail order houses who get their pay in advance and do not grant any credit at all.

When the retail merchants of America realize that all of these troubles can be largely abolished by the adoption of the trade acceptance they will undoubtedly rally to the support of this system with an enthusiasm unsurpassed by that of any other class of our business men.

The adoption of the trade acceptance by a merchant merely means that he will send a letter to his customers at the end of the month when he sends out the invoices for the past month's accounts and that he will attach to each of these invoices a trade acceptance properly filled out. In the letter he will call attention to the desire of the Treasury Department and the Federal Reserve Board to have the credit position of America in the most liquid possible condition as a basis for the successful financing of this great war and will call attention to the desirability of having credit instruments called trade acceptances take the place of the old-fashioned open book accounts, which are unavailable as a convenient basis for loans. He will state that each customer is urged to do his part in relieving unnecessary strain on the country's financial resources by sending a check in payment of his account promptly at the end of each month, but when this is sufficiently inconvenient so that an extension of credit is necessary then he will "accept" the trade acceptance attached to his invoice and return it as evidence of the fact that he wishes to take advantage of the credit terms stated therein.

If the customer returns a check (and if he has to sign either a trade acceptance or a check he will oftentimes sign a check, while under the old system he would just let the account "run awhile" as a matter of habit), the merchant will charge the account off of his bills receivable ledger, marking the account "Paid by Check," and if the customer returns the trade acceptance the merchant will make a similar charge, marking the account "Paid by Trade Acceptance." In this way each account will be settled up and taken off the books every month and the bothersome account of long standing, with its many entries representing purchases and its many payments of odd amounts "on account" will be done away with.

When these trade acceptances are received the merchant can take them to his bank and discount them for approximately 100 per cent. of their face value instead of 50 per cent., as with the open book accounts, and the "10 per cent. rule" does not apply to them unless trade acceptances for an amount larger than 10 per cent. of the capital and surplus of the bank have been accepted by some one customer, in which case the "10 per cent. rule" would apply to the acceptance of this one customer only. Furthermore, the rate of interest will often be somewhat lower than the rate on the old-fashioned single name note because the bank can turn the acceptance over to the Federal reserve bank at a preferential rate and thus make a good profit for the bank as well as save money for the merchant by the lower rate granted him.

All of the conveniences of the open account can be retained, such, for instance, as the right to make partial payments, which can be arranged with the bank, and if the customer is not able to meet the trade acceptance when it becomes due and the merchant wishes to help him out he can do this by having the customer sign a promissory note with interest, so that the merchant grants him the favor of an extension but without the loss of interest that occurs under the old system. Trade acceptances are never given for renewals or old accounts, as these should always be settled with notes drawing interest.

Trade acceptances make it necessary for customers to pay up within a reasonable time after the goods are bought and the merchant does not continue to carry the old long-drawn-out account which made it possible for his customers to buy of him "on tick," and at the same time use their ready money to buy of the mail order houses. The merchant complains about mail order competition, but in a majority of cases he himself is financing these very mail order purchases through the old-fashioned, trouble-producing open book account.

The time has come for merchants in each community in our country to get together and agree to adopt the trade acceptance as the universal business custom for all. Self-interest compels it, efficient business methods necessitate it and patriotism demands it.

The Need for a Political Offensive in Russia

BY BENTON POWERS

DEMOCRACIES may not always fight fire with fire. Among the devotees of the ideas and ideals which American participation in the war represents, there are some who hold that despite our accessibility to and suffering from the so-called political offensives of Germany, we may not retort in kind. Recently an astute American, a man who had given much of his time and energy to the exposure of German intriguing and propaganda, gave expression to this view. It was put forward with a fair degree of directness in the following:

"Democracies can repress minorities neither by physical fear nor by governmental propaganda—and as soon as a government attempts these methods it ceases to be a democracy. But there is nothing to prevent an autocratic foreign government from carrying on a propaganda in a democracy. Even if this propaganda is openly directed against the democratic government, no way has yet been found by which the latter can effectively defend itself—short of the very difficult, costly and slow process of general enlightenment of the whole community. But this line of democratic defense is totally useless in war time, since it requires many years, if not a generation, and in far less time, the enemy's propaganda would have accomplished all its purposes."

That is a theory of government—a theory which presumably would leave the government of truly democratic ideals no choice save to tolerate the form of attack we have spoken of, relying upon Providence to thwart the evil purposes of the autocratic enemies in our midst. There is enough of the practical in Americans, however, to convince us that if this theory were accepted as a true one of democracy, it would be regarded only as having revealed a spurious element, a fallacy in our governmental creed, which we must speedily disregard. Under the hard necessities of the present crisis, we could hardly choose to submit; we could only choose to set aside this supposed fundament of our governmental system until a happier time when such great ills might not be entailed in its application.

Happily, it is not difficult to expose the impractical and irrelevant character of the assertions I have quoted. In the first place, there is nothing essential in propaganda that is essentially undemocratic. Propaganda consists in the propagation of ideas. In the stress of war time, the propagation must be hurried, but it is by no means a requisite that haste be accompanied by carelessness nor by a resort to deception. What greater propaganda than one of truthful ideas? What more effective propaganda than one which aims only to convey to the people concerned the truth about the issues which concern them most? What is there about the spurious lies disseminated by Germany in every land making war against her that gives them peculiar access to the minds of the people whose opinions are thus assaulted? Does a lie really travel faster than the truth? Is it more difficult to get the truth across than to get a lie accepted? And the answer we must give to all these assertions is a hearty and heartening "No." Is it not rather the obligation of a democratic government to see to it that the minds of its constituency are disabused as speedily as possible of the lies which are planted in them by the enemy? To say that a democracy is by its nature prohibited from selecting the ideas which are to be regarded as truthful by its constituency is to corrupt the conception of democracy, for it must not be forgotten that the validity of democracy, as well as that of autocracy, is on trial in this war, and that the world may be expected in the future to have little to do with the proved ineffective.

Until the foregoing viewpoint is accepted and applied, it is idle for the constituents of this and the other liberal governments in the war against Germany to expect final victory. Germany's great military victories have been won in territory where they were prepared by great political offensives. Russia today is the victim not of the Kaiser's soldiers, but of his propagandists. The Bolsheviki are not so much corrupt as they are gullible. The Italian army retreated under the Austro-German attack after they had been made to believe that the British and French soldiers were committing outrages in Naples and even in Rome. It was the political offensive to which the Secretary of War assigned the credit for the first successes of the Germans, an opinion which has been fully confirmed by the unofficial despatches which came days afterwards. It was a disheartened rather than a cowardly Italian army that retreated. I have heard a story in Washington which illustrated how well the German appreciates the worth of his political offensives; whether it be true or not, I cannot say. It is said that Hindenburg could have marched through the Russian lines to Petrograd any time in the last several months and that at one time he actually planned such a movement. The civil authorities at Berlin succeeded in restraining him, however, with the argument that Russia could be reduced more speedily and more certainly to the status of an ineffective enemy or of neutrality, through the political propaganda which was being conducted by the agents of Germany. The civilian councillors at Berlin preferred to have the gullible and corruptible populace of Petrograd and Moscow to foment their plots upon, rather than two subjugated cities which might become centers for the inspiration of enmity against the Kaiser. Events, we may say, have more than justified the discretion of Hindenburg in withholding his armies.

What then is a proper policy and program for the Government of the United States in the present crisis? What limitations, if any, should be placed upon its effort to propagate the conviction of the rightness of our cause and of the wrongness of Germany's cause? What restraints should we recognize in the matter of information to our own people and to the people of other lands?

In the first place there should be the fullest and freest dissemination of all facts relating to military developments and preparations which do not entail strategic disadvantages to the troops in the field against Germany. Lord Northcliffe rendered a valuable service to the people of America during his recent mission here in informing them of the mistakes which had been made by France and Great Britain in this respect. He had hardly completed his informative journeys through the United States before the French Republic overturned its ministry and set up another which quickly recognized the expediency of abandoning the political censorship that had held back from them some of the information which the people felt themselves entitled to. The government at Washington has adopted a policy which is in principle well abreast of the most modern and liberal convictions regarding censorship. Whatever construction may have been placed upon the remarks of Postmaster General Burleson as to his intention of enforcing the provisions of the Espionage Act which empower him to exclude seditious newspapers from the mails, there is no inkling in any of the utterances or orders issuing from the White House of an intention to restrain the publication of any war news that does not interfere directly with the progress of our troops in the field or their safe transportation across the water. If mistakes are made, they may be attributed to the excessive carefulness of army and navy officers in passing upon questions touching the safety of troops rather than any disposition to use the censorship for political advantage, or for the protection of the governmental structure or personnel that have been created for the war-making task from such alterations as may be necessitated by the public's desire to have the cloth trimmed to fit the pattern.

So much for the matter of domestic censorship. The need and the duty of the Government are so clear to any one capable of appreciating the principles on which the rights of our electorate are established as to admit of little argument on fundaments. The only debates must concern judgment in matters of detail, accuracy and efficiency, for the government's policy has unquestionably been solidly and soundly based. A scrupulous and aroused public and a press watchful of its liberties and correspondingly careful of the obligations that go along with its liberties may be relied upon to rectify the mechanical flaws that are revealed as time goes by.

The other end of the subject can be discussed best with application to the situation now existing in Russia. Russia, as I have said, has fallen for the time being at least before the political onslaughts of the Kaiser's representatives. Russia may be redeemed, or falling short of that, may at least be rendered a source of greater danger to Germany through a counter political offensive that meets the victorious propagandists upon their own ground, that combats lies with truth, that wrestles forcefully with the corrupting propaganda that has eaten away the resolution and patriotism of so large an element of the Russian people. No money can be expended in loans and supplies to the Russian armies that will count half so effectively against the war aims of Germany as a robust and vigorous political offensive against the malevolent misconceptions of liberty and of national unity that have tentatively withdrawn that great nation from the ranks of the war of democracy.

The Russian people have been taught to believe many ill things of the United States. They have been taught that we are a free nation in name only and that our people of the proletariat, corresponding to the upper-handed Bolsheviki, are oppressed by a financial aristocracy that outreaches the German military autocracy in its oppressions of the average man. They have been brought to mistrust the war aims of this government and to fear for their own national safety if victory crowns our participation in the war. Witness the simple faith expressed by the Bolsheviki government that the peoples of the United States, France and Great Britain will unite with them in forcing a peace without annexations and indemnities and without the rectification of the wrongs and dangers out of which the present war issued.

These misconceptions can be abated if not wholly removed in one way alone. It is by propaganda, the kind of propaganda that spares no expense nor effort in its determination to reach the mind of the people that has been upheaved by the German teachings. Millions of feet of salutary film lessons, tons of literature should be spread through the stretches of the great nation that now lies pitifully prostrate at the feet of the German tyrant. The patriotic press of the nation stands in greater need of American aid, perhaps, than the inadequate railway systems that have been afforded the help of our best railway men and of our war coffers. Delay has been too long and its continuance will produce severe and exacting questioning directed at the responsible government which we have entrusted with the war-making power.

DON'T USE GOLD FOR PAYROLLS

A great many manufacturers and concerns with large payrolls have been so little impressed with the necessity for the mobilization and conservation of gold that they continue to pay their employees with it. It is not that their employees are particularly eager to have their pay in this form of money, but it is more convenient for the payor. A concern in Reading, Pennsylvania, manufactures a machine which counts gold coin. The use of this machine permits the making of payrolls with great ease and speed, but the ease and speed comes at the cost of much abrasion of the metal and it is also an inducement to the people to hoard gold.

The Federal Reserve Board has been giving attention to this matter, and the Federal reserve banks have been gathering particular information in regard to it. Some of the reserve banks have issued circular letters urging that the considerations of convenience be disregarded and that the payment of employees be made in other currency.

The situation is well understood by bankers. The need of conserving gold has been demonstrated and the conservation is justified by conditions that are obvious. It is the view of the Federal Reserve Board, concurred in by the bankers who have given the closest study to the question, that bankers should discourage the use of gold for payroll purposes.

THE STORY OF OUR FIRST WAR LOANS TO FRANCE

When the complete history of the financing of the great war is written, there will probably be no more interesting chapter than the one dealing with the flotation of the first French war loans in the United States. And among them will stand prominently the story of the initial loan of $10,000,000 which the National City Bank of New York agreed to place a few days after the battle of the Marne had been fought. This was in September, 1914, before it was known with certainty that the invader had been flung back, when the French capital had been moved from Paris to Bordeaux and when the State Department was still opposed to the extension of credit by American bankers to any of the belligerents. Maurice Léon of the Bar of New York, whose initiative brought about these first French war loans in the United States, tells the story, as follows:

"It seemed to me that the opportunity had arrived for some one to come forward to help France by opening the market of this country to her war bonds. I broached the matter to the French Ambassador, Mr. Jusserand, who was kind enough to say that he welcomed my assistance, and later saw Frank A. Vanderlip, president of the National City Bank of New York. I began by telling him that France needed his bank's help. He replied, in substance, 'The City of New York owes $100,000,000 gold in London and we don't know how it will be paid. Mr. Bryan is of the opinion that American bankers ought not to lend money to any belligerent. What can be done?'

"I replied that France was fighting the battle of all free nations; that this was the time not to forget that but for France America would not have won her independence, because the independence of France was at stake now; that at a time when the invader was on her soil any tangible American assistance was bound to have incalculable effect, morally and materially, in helping her to win the war. The service would be greater, I said, because of the difficulty in rendering it. 'The amount of the issue does not matter,' I told Mr. Vanderlip, 'but let there be a beginning at least.'

Specimen of First French Government Bond Ever Issued in the United States. Issue of Ten Million Dollars of November 4, 1914, Placed Through National City Bank of New York

"Mr. Vanderlip thought a few minutes and then said, 'What France asks is impossible—but we are going to do it.' And he did it. The State Department was informed of the forthcoming transaction and reasons were given which, from an American standpoint, were unanswerable, and they were unanswered. It should be stated in justice to Mr. Bryan that with him second thought proved sounder than first, although it was not until the United States entered the war on the side of France that he understood fully that which he had misunderstood in 1914.

"The first French war bonds issued in the United States were in denominations of $10,000 and $5,000. They were drawn by me from a form cabled from Paris and were signed in Mr. Vanderlip's room by Maurice Heilmann, Commercial Attaché of the French Embassy, and Stanislas d'Halewyn, the French Vice-Consul. When this was done I delivered them, secured a confirmation of the credit and sent it to the French Ambassador. The manner of handling the issue was characteristic of the spirit in which the transaction was entered into by the City Bank. An official of one of its large customers told me some months later that his company had taken some of the French Treasury bonds of that issue, and that when they were offered by one of the bank's salesmen he said, in substance, 'We think you ought to have some of these bonds. They are absolutely first class and we will take them off your hands at any time, at the same price you pay for them.'

"The $10,000,000 loan was put through without any commission to the bank, or to any one else. Mr. Samuel McRoberts of the City Bank was associated with Mr. Vanderlip in the conduct of the negotiation following my first conversation with Mr. Vanderlip. That both are now at work for the government in Washington is cause for congratulation, for back in 1914 they, so to speak, fired the first American gun in this war by taking the first step in granting America's financial assistance to France, freedom's first and foremost champion in the struggle against German aggression. After Mr. Vanderlip recovered from an illness, which occurred while the loan was being arranged, I took up with him the question of another issue of French Treasury bonds, resulting in the $25,000,000 issue of April, 1915. This was syndicated by the National City Bank, J. P. Morgan & Company and the First National Bank. These two issues were the only issues of French Treasury bonds floated in this country prior to the entrance of the United States into the war. All the other credits obtained here by France in that period were placed on a different basis, being effected either jointly with Great Britain or on collateral."

LIBERTY BOND YIELDS

BY SEYMOUR KNIGHT

THE first interest period for the 3½% bonds has nearly elapsed, leaving 14½ years to the shortest and 29½ years to the longest redemption date. The table of yields for the 4% bonds is correct only for those having to pay no supertaxes. It is a simple matter to determine the fixed rate of interest on par, which any 4% bond becomes, subject to supertaxation, but it is quite another matter to provide bond tables at every interest rate possible for each bondholder, who is subject to the supertax schedule, as the 4% bonds sell from par. It is sufficient to say that the yields of the 4% bonds approach the yields of the 3½% bonds, as the taxation on the 4% bonds increases, and may readily be found in any individual case.

The 4% bonds have recently sold at lower prices than the 3½% bonds. For want of a better explanation this was probably due to selling of bonds by those who found themselves unable to make the second payment. Suggestion has been made that eventually the 3½% bonds will sell above par and higher than the 4% taxable bonds. This probably depends on the forces now at work to adjust the holdings which determines the incomes of individuals until the conversion period has expired and some report has been made as to what amounts of 3½% and 4% bonds are held by those of various incomes.

The interest yield of the two series of bonds, at varying prices, are as follows:

1	2	3	4	5
Price of $100 Bond	First, 3½ percents. Dec. 15, 1917, Maturing in		Second, 4 percents. Nov. 15, 1917, Maturing in	
	14½ Years	29½ Years	10 Years	25 Years
$	%	%	%	%
100	3.500	3.500	4.000	4.000
99.90	3.509	3.506	4.012	4.007
.80	3.518	3.511	4.025	4.013
.70	3.527	3.517	4.037	4.019
.60	3.536	3.522	4.049	4.026
.50	3.545	3.528	4.061	4.032
.40	3.553	3.533	4.074	4.038
.30	3.562	3.539	4.086	4.045
.20	3.571	3.544	4.098	4.051
.10	3.580	3.550	4.111	4.058
99.00	3.589	3.555	4.123	4.064
98.90	3.598	3.561	4.136	4.070
.80	3.607	3.566	4.148	4.077
.70	3.616	3.572	4.160	4.083
.60	3.625	3.577	4.173	4.090
.50	3.634	3.583	4.185	4.096
.40	3.643	3.589	4.198	4.103
.30	3.652	3.594	4.210	4.109
.20	3.661	3.600	4.222	4.116
.10	3.670	3.605	4.235	4.122
98.00	3.679	3.611	4.248	4.129
97.90	3.688	3.617	4.260	4.135
.80	3.698	3.622	4.273	4.142
.70	3.707	3.628	4.285	4.149
.60	3.716	3.634	4.298	4.155
.50	3.725	3.639	4.310	4.162
.40	3.734	3.645	4.323	4.169
.30	3.743	3.650	4.335	4.175
.20	3.752	3.656	4.348	4.182
.10	3.761	3.662	4.361	4.188
97.00	3.771	3.667	4.373	4.195
96.90	3.780	3.673	4.386	4.202
.80	3.789	3.679	4.399	4.208
.70	3.798	3.685	4.412	4.215
.60	3.807	3.690	4.424	4.221
.50	3.817	3.696	4.437	4.228
.40	3.826	3.702	4.450	4.235
.30	3.835	3.708	4.463	4.242
.20	3.844	3.713	4.476	4.248
.10	3.854	3.719	4.488	4.255
96.00	3.863	3.725	4.501	4.262

Credit, More Revenue and Priority of Labor and Materials, the Railroads' Need

To Win the War Requires the Elimination of All Non-Essential Production—At Least a Billion Dollars Needed for Capital Requirements.

BY FRANK H. FAYANT

FOR the national safety and the winning of the war, the railroads must have more capital at once. Blasting the German line out of France and Belgium, and driving it back into Germany, is a job that cannot be done without a rapid expansion of transportation facilities—in France, on the Atlantic and in America east of the Mississippi.

Capital for ships and railroads is a commanding necessity of the war.

By capital I do not mean money—you cannot eat money, or haul munitions with it, or load it into field artillery. The capital the nation needs—the capital the railroads need to serve the nation—is the product of labor.

The railroads must have more capital in the form of locomotives, cars, tracks, terminals—the facilities for hauling a greater tonnage of raw materials from out of the earth to the industrial centers, and of munitions from the factories to the Atlantic seaboard to be loaded on the growing fleet of cargo ships.

The problem of expanding railroad facilities for war traffic has ceased to be primarily one of finance or credit. The credit of the railroads—this indispensable arm of national defense—ought to be as strong as that of the government itself; and the government should, as a matter of national safety, neglect no measure to uphold railroad credit. But credit will not provide engines and cars, tracks and terminals.

A readjustment of freight and passenger rates to the new world level of prices is highly desirable, in order that the carriers may be able to meet higher operating costs, and earn a fair income on the capital devoted to the public service. But increased revenues will not solve the problem of an immediate expansion in railroad facilities.

New engines, cars, tracks and terminals cannot now be had in the volume needed, without the help of the strong arm of the government. It is not a question of government loans to the carriers, or government guarantee of railroad financing. It is primarily a question of priority.

The government must determine the extent to which railroad construction shall supersede less essential industry, and order the shifting of workers and materials from non-essential manufacturing to the work of expanding railroad facilities.

If Mallet engines are now more needed for the winning of the war than limousine motor-cars or steel skyscrapers, then it is the duty of the government to direct the flow of materials and labor out of these less essential industries into locomotive building.

If the laying of new railroad tracks on the lines reaching to the seaboard is of greater national necessity than the building of new tourist highways or the extension of public parks, then the government should at once order the shifting of workers to the job that will help win the war.

Hundreds of thousands of workers are now sorely needed for the immediate expansion of our rail and water transportation—and yet hundreds of thousands of workers are now engaged in building things that have no vital connection with the nation's big job—the winning of the war.

In England not a single pleasure automobile has been built in eighteen months. That is just one illustration of the way they have tackled this problem of essential and non-essential industries in the Allied countries.

It must be plain that the great need for increasing our production of things imperatively demanded for the conduct of the war calls for the utmost service and most efficient direction of American workers. Labor is needed on the farms, in the mines, in steel mills, in ship-building and airplane works, on the railways. There must be no wastage of labor. Not only have we no labor to spare for purely private undertakings, but we must draw labor from some of the least essential to the most essential industries.

To any one brought up in the economic school of *laissez faire*, it is a shock to suggest that the free citizen of a democracy has not the right, even in a time of national crisis, to spend his honestly earned money as he pleases. But when the spending of money carries with it, as it almost invariably does, the command of the labor of other citizens and the consumption of materials from the common store, what forward-thinking man will question the right of the state to prohibit, if necessary, the use of private savings for purposes opposed to the public welfare?

The hoarding of money has always been condemned as an unsocial act, but it is better, in a time like this, that a man should bury his gold in a cellar than use it selfishly in employing labor in non-essential production or in the consumption of materials without which the democracies of the world will go down in defeat.

America's industrial resources have been put to the test. We must launch new cargo ships faster than the submarines can sink them; we must turn out high-explosive shells faster than they can be poured across the trenches in terrific curtains of fire; we must feed the millions of people abroad dependent upon American bread and meat for their existence; we must build an air fleet of thousands of fighting machines; in fact, we have undertaken a mighty task that a few years ago would have been beyond the dreams of any nation.

To do this great work—*and do it rapidly*—it is imperative that we conserve our industrial resources and direct our productive energies with the sole idea that the only thing now worth while is the winning of the war.

Our normal capital savings before the war were estimated to be upward of $5,000,000,000 a year. These were invested in railways, ships, farms, factories, business buildings, homes, highways, canals, public buildings, schools, power plants, street railways, mines and other permanent things. But now we have undertaken a task that calls for billions of savings every few months. Within five months we have taken two war loans aggregating

$6,000,000,000, and Congress has authorized the expenditure of more than $20,000,000,000.

We cannot continue during the war all our peace savings and shoulder in addition these enormous war expenditures. The duty before us is to cut to the bone all non-essential capital expenditures and use these savings for the winning of the war. It would be suicidal to go on raising billions a year for public and private enterprises, and allow the users of these savings to bid against the government for the labor and materials so urgently needed in the war.

No matter how much credit, or buying power, we may manufacture on paper by the pledge of our future production, the amount of war materials we can actually produce is dependent solely on the amount of labor—the days' work—we devote to this task. The problem, therefore, is one of the conservation of labor, and the surest way of insuring that labor will not be wasted in non-essential production is by putting a ban on large issues of capital for non-war enterprises.

In England and France, where political measures are framed on economic principles to a much greater extent than in our own country, the governments at the outset of the war decreed that no offerings of new capital securities should be made without government sanction. The test of every new enterprise seeking capital in the London market is, "Is it essential for the successful prosecution of the war?" If it cannot be shown that it will help win the war, the government forbids its issue. In France the Minister of Finance has closed the money market to all enterprises not needed for the war.

The war has vividly shown the nation's absolute dependence on adequate, efficiently managed railway facilities. War is a contest of productive power, and transportation is the life blood of production. Without American bread and meat, Europe would starve; without American iron, steel, copper and coal, the Allied democracies would go down in defeat. But an unlimited output of these necessities would be of no avail without adequate transportation to move them from the farms and mines to the manufacturing centers, from the mills to the ocean ports, and from the seaboard across the Atlantic.

The fact has been brought home to us that our transportation system is not adequate to carry a peak load. With but a slight increase in men and facilities, the railways are now called upon to perform a far greater service than was ever before demanded of them. They must produce billions more ton-miles this winter than they did last year, when the machine broke down under the load.

Mr. Daniel Willard, now at the head of the War Industries Board, recently stated that all our war program must be laid out with the idea that the war *will always last at least two years longer.* We ought, therefore, to look at least two years ahead in providing for the railroads. If we cut out all non-essential railroad construction, and provided for only those things needed for the war, it is probable that a billion dollars would cover the necessary capital requirements.

These necessities for the railroads cannot be had unless the government uses its police power to give them priority along with munitions of war.

How these expenditures shall be financed is of secondary importance. The railroads, of course, cannot compete against the government in the money markets, but there would be no great difficulty in working out a plan whereby the government would give necessary railroad financing priority over the issue of securities for non-essential undertakings.

THE MENACE OF IMPAIRED CREDIT OF RAILROADS

PAUL M. WARBURG, Vice-Governor of the Federal Reserve Board, and Frank A. Vanderlip, president of the National City Bank of New York, appeared before the Interstate Commerce Commission on November 16, under invitation from that body, to give their views on the matter of railroad financing. Mr. Vanderlip said that he feared government ownership of railroads, unless something radical is done to convince the public that railroad shares and bonds are good securities. He said there were five ways that a railroad had of obtaining money—the issue of bonds, disposal of junior securities, equipment notes, issuing of more stocks and by short-term notes. Conditions abroad forbade the possibilities of any of these at this time. The outlook, Mr. Vanderlip said, was that the railroads are in immediate need of a billion dollars of new capital. The investor is the judge of his investment and today he is turning away from railroad securities because of lack of confidence in them.

"I do not think that the money which would come from the rate increase sought would cure the situation," said Mr. Vanderlip. "The cure lies much deeper than that. We are trying to control the railroads by two systems—one which prohibits combinations and the other which regulates through the Interstate Commerce Commission. So long as the railroads are regulated as to rates they should have the advantage of combination. I feel that before we cure the railroads of the present sickness they will either go into the hands of the government or the fundamental plan must be changed to permit railroads to consolidate, and thereby get the advantage of economies and the averages which would accrue from combinations."

Mr. Warburg spoke as follows:

Owing to the very short notice that you have given me, it has, of course, been quite impossible for me to familiarize myself with the more technical railroad questions involved in this case or to collect any statistical material. I am glad to comply with your request to discuss this question from the purely financial point of view, but, at the same time, I am frank to admit that I do it only with great hesitation. Your honorable body is so fully conversant with the entire situation and has given it such close study that I feel that there is very little that I can add to the discussion of a subject that has been before you for about ten years. There are, however, certain extraordinary conditions which must enter at this time into your deliberations—conditions which have created a most unprecedented and anomalous situation in the financial market. It is, I understand, your wish that I should speak to you about this phase of the problem, and I am only too glad to present to you my thoughts for what they may be worth—emphasizing, however, that, of course, they represent only my own personal views.

A discussion of the subject necessarily involves at this time a consideration not merely of the railroads, but also of the people as individuals and the government as a whole, for the interests of each of these elements, interdependent even in normal times, are still more closely woven together in view of the common cause of all—the successful prosecution of the war.

When the country turns from peaceful occupations to the business of war a drastic upheaval in the entire economic structure of the country must necessarily result, and inasmuch as it is clear that the combined strength of the nation is essential to victory, every project, every industry, that contributes toward this end must be encouraged in every possible way; whereas, what is not necessary for the common cause must, for the present at least, stand aside. The railroads are clearly one of the most necessary factors in this respect, and they must be placed and maintained in such a condition as will best enable them to render in the most efficient degree the services for which they are designed. It is not necessary to elaborate this point; it is sufficient to consider the disastrous effect that the deterioration of the railroads has had upon the military efficiency of some of the European belligerent countries.

What, then, is the carriers' present condition? Like any other corporation or individual, or even the government itself, railroads suffer at this time from the fact that the dollar which they now earn has dimnished very materially in purchasing power, so that, even if they were earning the same amount in dollars as prior to the war, these earnings would not buy anything like the same amount of materials or the same amount of labor. It is interesting in this respect to note that their condition is parallel to that of all the belligerent governments which, owing to inreasing prices, in order to produce the same purchasing power as heretofore, are forced to place upon the market larger and larger loans.

A comparison of the index figures for the years 1914 and 1917 would show that wholesale prices of commodities have increased, roughly, by 100 per cent. since the beginning of the war, and, therefore, the same number of dollars netted by a railroad can produce only a smaller amount of improvements than it produced in pre-war times. It follows that in order to secure these improvements, or even the necessary upkeep, a much larger amount of money must be procured. That money can be obtained in two ways only: by the flotation of additional securities or by an increase in revenue.

I believe I am safe in saying that the vast majority of the railroads are nowadays old-established concerns which long since have sold their first mortgage bonds and have generally given comprehensive liens on their tangible properties so that, in financing today, they offer as the basis for new securities the general equity in the property; that means it is their earning power that today constitutes the chief basis of their credit. When net earnings dwindle, as they have, or when doubt arises in the public mind as to the ability of the railroads to be permitted to earn a generous return in the future, the entire credit structure of the railroads suffers. Securities can then be sold only on a higher interest basis. The higher interest charge, in turn, causes a corresponding reduction in net earnings, which again, in turn, operates further to destroy public confidence. And so one destroys the other!

Moreover, it must be borne in mind that the purchasing power of the dollar having been reduced to about 50 per cent. of its pre-war value, the interest received from his railroad obligations and the dividends received from his stock to the investor are worth only approximately one-half as much as they were before the war, and the return from his investment is further reduced by taxation which absorbs a more or less substantial portion of what the railroad pays him. These are factors which make for the depreciation of railroad securities and it will have the further effect of forcing railroad companies in general to pay higher rates of interest and higher dividends in order to attract the investor's money.

The investor's present attitude toward railroad securities is, as just described, one of serious doubt as to the future. He does not and cannot know what will be the requirements of the government; or what will be the labor situation: whether adequate labor will be available and if so, at what price; and he naturally asks himself the same question as to the materials for the upkeep of the railroads: will they be available and at what price? On the other hand, he questions himself as to the attitude of the Inter-State Commerce Commission: will it permit an increase in the rates charged by the railroads sufficient to offset these abnormal conditions?

It is natural that such an attitude of doubt affects seriously both the marketability and the market value of railroad securities. But this doubt alone has not produced the present shrinkage in their value. Other important factors play a part. One is the unprecedented amount of government securities which has been placed upon the market and which must continue to be offered as long as the war lasts. It is natural that government financing undertaken upon so gigantic a scale cannot occur without affecting security values both directly and indirectly. Another factor is that the patriotic investor, under present circumstances, justly has a strong desire to make all his savings available for the direct use of the government, and he wishes, therefore, to buy government securities, regardless of how tempting may be the securities of private corporations. There is, in addition, the endless stream of American railroad securities, heretofore held in Europe, flowing back into our country and seeking investment here ever since the beginning of the war in 1914. Under all these circumstances, it is at present becoming increasingly difficult for railroads to sell their securities on reasonable terms, whether to provide for the renewal of such of their obligations as may be approaching maturity or whether for necessary improvements. As a matter of fact, the sale of securities has become practically impossible for most of them.

Inasmuch, therefore, as the present condition of the securities market is practically prohibitive as far as the carriers are concerned, it is of paramount importance that the railroads, as far as possible, should be enabled to pay out of current revenues for all improvements that are necessary to keep their property in at least the same condition of efficiency as obtained at the outbreak of the war. They should have ample revenue, not only because of these reasons, but also because of the fact, as stated before, that their earning power is the measure of their credit. If their credit is sustained it will tend to eliminate at least the lack of confidence, the doubt on the part of the investor, and thus remove one of the most serious handicaps upon the financial operations of the railroads. Enhanced confidence is tantamount to an increase of revenue because of the fact that it decreases the interest charges which must be paid.

It may be asked whether or not the proposed increase in net earnings and the consequent greater confidence of the public will open the securities market to the railroads to a degree sufficient to enable them adequately to finance themselves. Not entirely. It will remain difficult enough for the railroads to finance themselves even under improved conditions, and it has been suggested that it may become necessary, in some way or other, to use or create agencies of the government for the purpose of granting some sort of relief. Without entering into the merit of such a proposition, it is evident that, even in that case, the task of such agencies would be immeasurably relieved if they were dealing with companies capable of showing substantial net earnings.

It might be asked, "Why not let the railroads stop paying dividends and use these funds for the purpose of providing the moneys necessary for their improvements?" It is patent why such a policy would be fatal. The weak railroads have no dividends which they might suspend. The strong railroads through such suspension would destroy the continuity of their dividend records which constitutes a most valuable asset, in that on the strength of these records they have secured the advantage of being able to sell some of their obligations as investments for savings banks. Furthermore, such a policy would completely wreck railroad credit and would seriously affect the income and savings of the very public upon whom the government must now rely for its revenues and for the flotation of its loans.

While all corporations, industrials and railroads, and even municipalities, when trying to raise money in the security market, are meeting with some of the obstacles encountered by the railroads. *i. e.*, the general conditions created by the over-shadowing financial operations of the government, there is no doubt that no other class of borrowers is as much affected as are the railroads. The municipalities still have the advantage of making their issues attractive by freeing them from onerous taxes, and such industries as are not affected by price fixing by the government are not hampered in shifting to the consumer the additional burdens arising out of changed conditions. The railroads, however, and certain public utilities, while forced to pay increased wages and increased prices for materials, are dependent upon the action of government agencies in adjusting the rates which they may charge for their services. From all the information available to me, the index price of railroad stocks has gone down about 20 per cent. since the beginning of the war in 1914 down to the present time, while the index price of industrial stocks has undergone but little change. The capitalization of all the railroads in the United States has been stated at $8,750,000,000 of stock and about $11,000,000,000 of funded debt. It we should figure that the value of railroad bonds has decreased by about 10 per cent. and that of railroad stock by about 20 per cent., we would find that the shrinkage in railroad values since the beginning of the war, on that basis, would amount to about $2,800,000,000.

This leads me to a discussion of another side of this question—the interest of the government.

The successful placing of the government loans to be issued from time to time, and running into billions, is predicated upon the strength of the general banking situation and the public's confidence in that strength. It has been estimated that national banks, state banks, trust companies and savings banks together own about two billion dollars of railroad securties. In addition to that, these securities form a large percentage of the collateral for their loans. A drastic shrinkage in value of railroad securities, therefore, is naturally a matter of serious concern to all of these institutions and might materially impair their vigor and freedom of action in co-operating with the government's financial program and, if permitted to go too far, it may throw an additional burden upon the government. It is my sincere conviction that one of the main objects of the government—the successful prosecution of the war—will be considerably helped if greater strength is given to the railroads and if greater confidence in them is instilled into the public mind.

For reasons which no doubt are apparent, it is difficult, in a public hearing, to express my views fully or in more than a very general way, but, in conclusion, I do not hesitate to say that present financial conditions appear to me to be such that an increase of the revenue of the railroads seems an urgent necessity for the purpose of sustaining their credit and efficiency, both of which are essential in aiding the government and the country successfully to master the difficult tasks which are their chief concern at this time.

CONDEMNS FEDERAL INCORPORATION FOR RAILWAYS

The Investment Bankers Association held its sixth annual convention in Baltimore, November 12, 13 and 14. Patriotism was the guiding spirit, and the best way of bringing the war to a successful conclusion was the keynote of every address. The six hundred delegates pledged their hearty support of the President's war program. The list of speakers contained, among others, the names of Benjamin Strong, Jr., Basil P. Blackett, Secretary McAdoo and S. Davies Warfield, president National Association of Owners of Railway Securities.

Secretary McAdoo spoke in detail about the amount of money required to finance the war, the inevitable readjustments which would have to be made by the business interests, and of the sacrifices the soldiers are making to serve their country. He said that great as the financial problems are, they are not too great for America. His address was enthusiastically received, especially his statement that "It is not the valor alone of a people that wins wars; it is not the spirit alone of a people that can fight battles victoriously—it is also the unselfishness of a people, the willingness to sacrifice, the willingness to forget self, the willingness to put all into the balance in order that the country may be secure and that the world may be made safe again."

Mr. Warfield spoke in opposition to the proposed plan of Federal incorporation for railroads. He said, in part:

I wish to take the time allotted to me for discussing a concrete proposition which has been made and is being vigorously pushed by the committee knows as the Railway Executives' Advisory Committee, which is understood to represent most of the railroads of the country.

I refer to the Federal incorporation of railroads. This measure is not only fraught with danger to the people generally, in that it takes, in my judgment, five or six steps toward government ownership, but is a menace to the holders of all classes of securities, for it proposes the greatest autocracy in corporate management yet suggested, and, if enacted into law, will not alone apply to railroad corporations, but sooner or later the same principle would likely be extended to all corporations engaged in interstate commerce. And aimed as it is at the Public Service Commissions of the several states, it is an encroachment on the rights of the states to regulate their own affairs, when not inconsistent with the public interest; it is revolutionary in its purposes and in its effect. It is not suggested as a war measure—for autocratic measures may be necessary to "make the world safe for democracy"—but it is for all time, and was proposed before our entrance into the war; advantage seems now taken of conditions of war, to endeavor to place on the statute books a law which will render more chaotic, conditions already greatly involved.

The theory upon which the proposed legislation is based is the elimination, almost completely, of control by the state commissions of the several states over interstate carriers. The contention, as I understand it, is, that an Act of Congress to carry out their purposes must give autocratic powers to the Interstate Commerce Commission and vest in the hands of that Commission practically all powers over interstate carriers now vested in the Public Service Commissions of the several states. This great power they seek to show, as essential to the constitutionality of such a law. In other words, if it does not constitute a dragnet substantially obliterating the powers of the state commissions, the law may break down in some particular when tested, as it must be, before the Supreme Court.

The plan is, not that the carriers *may have the right* to incorporate under a Federal act, giving up their state charters; but that the act *will arbitrarily compel* the carriers to take out charters under the Federal act. To accomplish this, since no other means has been thus far shown for its accomplishment, it will be necessary for all existing interstate railroad companies, organized under state charters, to sell all their properties to new corporations to be organized under a Federal act—changing the very fundamentals incident to present railroad existence—a plan so sweeping as to demand the attention of every stockholder and bondholder of every railroad in the United States. And yet a plan so drastic and so fundamental, so far as I have been able to learn, making such a radical change, not only in the legal and operating management of the railroads, but in their very life, has never been submitted to the stockholders of any railroad.

Let us consider the questions involved and the machinery necessary to accomplish Federal incorporation:

First: Is an Act of Congress constitutional which will exclude from interstate commerce railroads organized under state charters *as injurious* to such commerce?

Second: Is such a compulsory act constitutional unless *every stockholder of a carrier by unanimous* consent approves, and without the consent of the state itself, should the state be a stockholder therein?

Third: Is such a compulsory act constitutional, as against the state which granted to the railroad the charter and franchises under which it now exists, and *under which it is required* to perform a public service in and through the state?

Fourth: Has Congress the power to annul a charter granted by a state?

Bearing on these four questions, Mr. Warfield quoted from the opinions of eminent lawyers that the proposed legislation would be unconstitutional and dangerous in effect. He continued:

It is not only the first step toward governmental ownership—and I do not believe you want that—but it goes so far toward it that it can only result therein. I am also opposed to the elimination of the relations between the Public Service Commissions of the several states and the interstate carriers. I am in favor of legislation which will co-ordinate their work with that of the Interstate Commerce Commission.

It has been suggested that a system of Federal regulation be adopted similar to that of the Federal reserve system in our financial affairs. That a large number of Commissioners constitute the Interstate Commerce Commission, which would be subdivided so that a given number thereof would sit in certain regional centers, territorially arranged throughout the country. It seems to me that the present state commissions correspond pretty well to the regional Federal reserve plan, sitting in their respective states and supported by their states, and, in order that their people will have a place of appeal, near home—the very quintessence of home rule, and the protection of the rights of the states, for those who believe in the doctrine of states' rights.

This country is not Germany or France. It takes five days to go from the east to San Francisco, and nearly three days to go from Portland, Me., to Tampa, Fla. This is a country of vast distances—a country, in many sections, not yet developed—with a population nearly one and two-thirds greater than that of the German Empire and two and a half times greater than that of France. The state of Texas alone has an area larger than that of the German Empire. Nine men now constitute the Interstate Commerce Commission, three recently appointed—even the enlarged body cannot transact the immense amount of work now delegated to it.

We will now consider what is gained through Federal incorporation that cannot be secured through other means pointed out, if you please, by the Supreme Court in its numerous decisions on these questions.

The two most important problems in connection with the regulation or control of the carriers of the country are as follows:

(A) That intrastate rates shall be concurrent with interstate rates.

(B) That there shall be Federal regulation of the securities issued by the carriers.

We will not discuss generalities. The time has passed for the discussion of these subjects excepting with actual legislation proposed when changing fundamental conditions. I propose two bills, which, if enacted by Congress, will bring about what the railroads chiefly desire. The Railway Executives' Advisory Committee do not produce the bill under which they expect to get it, nor have the courts intimated whether or not such a bill is constitutional or what kind of bill is constitutional. I am pretty sure that the bills I suggest are constitutional and I believe that they will bring about the results these executives should desire.

The Supreme Court has decided that Congress has the right to delegate to the Interstate Commerce Commission the power to regulate intrastate rates to the extent necessary to prevent them substantially burdening or interfering with the interstate system of rates.

In accomplishing the results under schedule (A) the bill does not seek to kill the state commissions. It seeks to bring about what has been suggested to be done—the making of regional commissions; but this is accomplished by co-ordinating the work of existing state commissions with the work of the Interstate Commerce Commission, thus giving a system, with less expense to the government, with more protection to the people of the states generally and of the country as a whole, than in any way so far suggested. And under this bill present powers of state commissions are limited to the extent of saying to them, unless you are willing to say "we will bear our state's proportion, through our intrastate rates, of the interstate rates made by the Interstate Commerce Commission the same as, we will say, California, Illinois or Florida may be doing," then the carrier can go to the Interstate Commerce Commission and appeal to them for this relief. Under this act the Interstate Commerce Commission can hear the carrier, the members of the state commission affected, and whoever else they wish and then decide whether the relief asked is reasonable. This settles the question of conflict of rates. The Commissioners of the states can hardly object to this system; if they are right they will be sustained; if they are wrong they will not be. We are only transferring, by act of Congress, the settlement of questions by the Interstate Commerce Commission which the courts now decide, which the Supreme Court has said can be done, and with less expense and the questions settled more expeditiously.

You will have left to the people of the respective states, home rule and their present methods for settling their differences with the carriers. You will not be substituting therefor a plan that will compel the people of a state to go to the Interstate Commerce Commission, or to their political representatives—their congressmen and senators—which will be the result, to intercede with the Commission in matters they feel they are entitled to have settled. It will not impose upon congressmen the additional duty of becoming the intervening agencies between the people of their districts and the Interstate Commerce Commission, sitting in Washington, miles from the seat of the complaint, a duty which I should think congressmen would hesitate to assume.

Any plan is inherently weak which permits the use of an influence as great as that represented in a member of the legislative body, which not only created the Commission to be applied to, but which still has the power to enact further legislation with respect to the operations thereof and, in fact, to its very existence. This in itself makes it possible to exert great political pressure on the Interstate Commerce Commission, the very thing all wish to avoid and which might defeat the very purposes of regulation by Commission.

As to the second proposition, B.

There is little difference of opinion on the question of the regulation of securities of carriers. The state commissioners themselves have practically said that there is no objection on their part to an act which will permit the Interstate Commerce Commission to exercise exclusive control of the issues of securities by interstate carriers. It resolves itself, therefore, into the form under which such control shall be exerciesd.

To accomplish Federal incorporation, the owners of billions of dollars of the securities of the railroads operating some 250,000 miles of road, with 50,000,000 people interested in these securities, are apparently expected by the representatives of the Railway Executives' Advisory Committee to sell out their companies to other companies to be chartered under Federal incorporation the terms of which they know nothing about, have no means of knowing—taking away, as it likely will, the right of appeal to the courts which they have today—and likely to contain a recapture clause; meaning that the government can take over the railroads on its own terms; and turning over to the Interstate Commerce Commission this great power, which I cannot help but feel members of that Commission would regard as extraordinary and which they may well prefer not to assume. No greater danger could befall the carriers than the possibility even of a way left open for the confiscation of property. Experience has shown, during the past four years in water-power legislation in Congress, that it has been impossible to reconcile the views of members of Congress with those of the administrative departments of the government as to the right to take property at any time with provisions for fairly remunerating the owners thereof.

Apart from the destruction of every policy born of our business instinct and impossible to reconcile with our ideals of Americanism, expressed in allowing the free exercise of man's initiative, unhampered, so long as in its exercise he shall be honest—government ownership would entail the addition of billions more to our public debt, growing rapidly as a result of the war, and would still further very largely increase the taxation of the people for carrying it into effect. Therefore, Federal incorporation, with this and its other attending dangers, should not be countenanced, and particularly in uncertain times, and when the doctrine of those advocating Socialism has apparently gained considerable headway.

The valuable right of court review should not be endangered by Federal incorporation, whatever the cost of its retention. And whatever rights the carriers may possess through state charters under which they are operating today, they should not be thus compelled to lose.

The government and the railroads are spending millions of dollars in the valuation of the properties of the railroads. Sufficient rates are not allowed to maintain the roads. Therefore you will have a process of shrinkage both in physical value and in earning power, since valuations so far made are said by those connected with the railroads thus far valued, to be below their intrinsic worth. This condition should not continue. Therefore, a plan should be formulated, which shall settle questions of general conflict of authority and the relations of the carriers to the public, in addition to the questions discussed for the settlement of which I have made suggestions; and that will also stabilize the securities of the carriers.

The officers elected by the Association for the ensuing year are: President, Warren S. Hayden of Hayden, Miller & Company, Cleveland; vice-presidents, William G. Baker, Jr., of Baker, Watts & Company, Baltimore; John E. Oldham of Merrill, Oldham & Company, Boston; Lawrence Chamberlain of Hemphill, White & Chamberlain, New York; Frederick A. Yard of Union Trust Company, Chicago; and Daniel K. Drake of Perrin, Drake & Riley, Los Angeles; secretary, Frederick R. Fenton, Chicago; treasurer, George W. Kendrick, III, Philadelphia.

The membership committee reported that the number of applications for membership in the Association during the past year exceeded that of any previous year. The total number of applications considered was 54, and of this number 49 were approved, 2 rejected and 3 reinstated. The total number of members now stands at 395 main and 194 branch.

PENNIES BY THE BILLION

The National City Bank says in a statement that the scarcity of pennies reported from various parts of the country is the more surprising in view of the fact that the government coinage of one-cent pieces has been much larger in recent years than in any earlier period of the history of the country. The bank's compilation showed that more than 1,000,000,000 one-cent coins had been manufactured by the government and distributed to the people during the last dozen years.

According to the bank's compilation, the number of one-cent coins manufactured by the mints of the United States from 1793 to the end of the fiscal year 1916 was 2,804,000,000, while the number issued in the last decade alone was, in round numbers, 1,000,000,000. Even in the single fiscal year 1916 the number of one-cent pieces was 101,230,317, while in the high record year 1910, the total number turned out was 152,846,218. The number of pieces coined never touched the 100,000,000 line prior to 1907, the total for that year being 108,138,618, the annual average since that time having been nearly 100,000,000 per year.

The bank estimates that the number of one-cent pieces coined from the beginning of the government to date would, even if all were in existence and circulation, allow for each individual about twenty-seven one-cent pieces. Of course, the number actually available is far less than this, for it is quite probable that out of the 2,750,000,000 one-cent pieces coined by the government, not more than about 2,000,000,000 are now in existence, or at least in circulation.

Gold, Currency and the Standard of Value Under War Conditions

In All the Belligerent Countries Paper Has Taken the Place of Gold, which Is Now Found Only in Reserves—Expansion of Note Issues Has Been so Great that the Average Gold Reserve Against Them Is Now Only 15 per cent.—Position of the United States and a Discussion of the Future as Affected by the Depletion of Gold and the Increasing Use of Silver.

BY SRINIVAS R. WAGEL

SPECULATION with regard to the future of gold in relation to the world's currency has been rife ever since the commencement of the war; a great part of it, however, was invalidated, because of the insufficiency of the data. Now, however, the developments have been sufficient and definite enough to enable us to form conclusions, which have more than a theoretical value. The gold problem has been simplified primarily by the very large increase of paper money all over the world during the past twelve months, and, next in importance, by the entry of the United States into the war—the United States possessing over 40 per cent. of the total available gold supply of the world.

It is as well to state at the outset that gold, for all practical purposes, is no longer the standard of value in any country in the world. First of all, it is not the medium of circulation anywhere, paper having in almost every instance taken its place. At the outbreak of the war, gold ceased to be in circulation in all the European belligerent countries except Great Britain; the respective governments impounded the gold and issued paper money. During 1915 Great Britain practically fell into line with the other belligerents in this respect—although there was no government regulation to that effect. This result came as the result of the discovery that large amounts of gold would have to be sent to the United States in order to make settlements in connection with purchases made here. The other neutral countries in Europe were in a position similar to that of the United States, and their gold stocks were also being daily augmented. In 1916 gold was at a discount in all the European neutral countries. They made strong endeavors to prevent the inflow of gold, in order to keep down the level of prices as well as to oblige the belligerents to pay as much as possible in kind instead of in money. In spite of the plethora of gold, the neutrals were obliged to impound the metal and issue paper, in order the better to be able to regulate their internal markets.

By the beginning of 1917, the European Allies had despatched about $1,200,000,000 of the yellow metal to the United States, and thus depleted the European treasuries and banks; the neutrals had, as a matter of course, to become even more careful, because they did not want to be drawn into this vortex, especially when they were unable to obtain from the belligerents the articles necessary for their very sustenance. The entry of the United States into the war rounded out the situation—the rest of the world, excepting Japan and Argentina, being of very little consequence in connection with gold. Although Japan's stock more than doubled during the war, a considerable part of it was loaned to England and a portion kept in the United States. The stock of Argentina is retained also in England and the United States.

While the gold of Europe was being reduced, the circulation of paper money was increasing by leaps and bounds. The trend during the past three years, therefore, has been for even the circulating gold to flow back into the reserves of the banks and treasuries of the different countries. The proportion of increase is larger with each additional month of warfare. At date, the increase in paper circulation since August 1, 1914, is roughly $17,450,000,000, and the total is rather an under-estimate than otherwise. The additions are made up as follows:

France	$2,985,000,000
Russia	7,000,000,000
Italy	800,000,000
Austria-Hungary	1,000,000,000
Germany	2,500,000,000
Great Britain	1,950,000,000
United States	650,000,000
Holland	200,000,000
Spain	150,000,000
Switzerland	55,000,000
Sweden	70,000,000
Denmark	40,000,000
Norway	50,000,000
India	150,000,000
British Colonies	250,000,000
Brazil	150,000,000
Argentina	150,000,000
All Other Countries	200,000,000
Total	$17,450,000,000

The increases in paper circulation do not include the numerous increases in credits; and the above computation does not include all the expansion that has arisen as a result of the war. The subjoined table shows the per capita circulation in the European countries before the war and on November 1, 1917 (in pounds sterling):

	August 1, 1914	November 1, 1917
France	6	21
Russia	1	9
Italy	1.15	5.5
Holland	4	11
Spain	3.15	5
Switzerland	2.10	5
Sweden	2	5
Denmark	3	5
Norway	2.10	6.10
Germany	1.14	8.20
Great Britain	.68	5

Except in the neutral countries, whose gold stock has been doubled, the expansion in circulation has occurred during a period since most of the belligerent countries have lost their gold. It is only natural that the different governments should take particular care that no gold circulates in the country. Every ounce has had to go into the reserves, not that the reserves are anywhere near the well-known margin of safety. But the fact remains that gold does not circulate, as it should, if the gold standard is to be maintained at all.

Prior to the war, economists and bankers maintained that it is the inherent power of gold to flow from one part of the world to another for making international settlements, as and when necessary. It was believed that this "natural law" could not be interfered with by any government regulations. As a matter of fact, gold was the medium of international settlement and the regulator of exchange between the different countries. We know what has happened. Regulations galore have been made, and every effort has been made to settle balances in some other manner than by the dispatch of gold. The belligerent countries have not been the only sinners in this respect. The European neutrals went to the other extreme, and forbade the inflow of gold into their respective countries; they wanted goods, and made regulations that settlements of balances must be made with commodities and only commodities.

The value of gold itself has varied even more than the value of commodities—some countries paying as much as 10 per cent. premium, while others refused to take it even at a discount of 10 per cent. In short, a combination of circumstance has deprived gold of the very qualities that combined to make it the standard of value. Even in the United States, which possesses at present more than 40 per cent. of the world's available gold supply, there is a tacit understanding between the banks and the government that the gold stock should not be dissipated by letting the yellow metal go into circulation.

We are on the eve of interesting developments; in all quarters, the future is being anxiously discussed. How are we to maintain the gold standard in the future, or is there to be a gold standard at all? It is self-evident that we cannot have the gold standard, as we have known it in the past. The considerations that must enter into a discussion of the gold standard of the future are, mainly, the redemption of paper money that has been issued for the carrying on of the war, the consolidation of the debts of the different countries, and the regulation of national and international commerce after the war.

As I have already pointed out, the total of paper money is increasing in a larger ratio at present than at the outbreak of the war. It is very unlikely that the war will be over before the total of circulation reaches at least $22,000,000,000. Even our issues are increasing at a fast pace. So far, we have been able to use our liquid resources. From now on, especially in the present state of the industries and the stock market, we will have to avail ourselves of paper to a very large exent. If the estimate of the Secretary of the Treasury that we will need an additional $10,000,000,000 before the end of June, 1918, is correct, we may safely place our paper circulation at that date at or near $5,000,000,000. It is, therefore, a wise policy that we should obtain control of all the available gold in the country.

But what about the rest of the world? There is every reason to believe that Europe has gathered in all the available gold that it can, and the reserve works out at about 15 per cent. It is needless to point out that the margin of safety lies between 33⅓ and 40 per cent.; and that under present conditions it will be hardly possible to let gold go into circulation, or be used in any other manner; it must be held tight in the vaults of banks and treasuries.

The annual gold production is about $450,000,000, of which Great Britain controls $300,000,000, the United States about $100,000,000 and Russia $25,000,000. It stands to reason, therefore, that Great Britain can place her currency on a stable basis sooner than any other country; the United States, of course, will always be on a much better basis than any other country, because of its enormous stock. But the point which is generally lost sight of is that the rest of the world will strain every nerve to get out of an embarrassing situation. Great Britain and the United States cannot afford to ignore them, because the prosperity of every country depends upon an extensive interchange of commodities. We know how the act of one state, Germany, forced the Latin Union and the rest of the world to give up the bimetallic standard, in spite of strenuous efforts made on both sides of the Atlantic to maintain it. After the war, there will be doubtless a powerful combination against the gold standard, because no nation will willingly exalt a commodity which the other fellow has, and continue to pay tribute for it—unless it is under the economic and political tutelage of the country that owns gold. It is not alone Germany and the Central Powers that lack gold, but France, Russia and the rest of the Allies as well.

In this connection, it is worth while entering into a short discussion on the total of the available gold supply. As far as is known at present, the world's stock is said to be composed of:

Stock in the United States	$3,000,000,000
State and private banks in Europe	3,000,000,000
India and the East	100,000,000
Japan and South America	600,000,000
Miscellaneous	300,000,000
Total	$7,000,000,000

That the available stock cannot be much larger is evidenced by statistics. According to Dr. Soetbeer, the total gold production of the world since 1860 has been $11,700,000,000, and since the discovery of America in 1492, $16,150,000,000. It is generally believed that the stock prior to 1492 was very inconsiderable, and not sufficient to upset our calculations. All the gold produced has not been used for coinage. A considerable portion of the gold has been used in the arts and jewelry from time immemorial; a very large part of it is not reclaimable—witness the gilding of the Woolworth tower. Gold coins loose weight by wear and tear—the estimate being that a gold coin loses 50 per cent. of its weight in 300 years. Each year a certain amount is irrevocably lost. In a consideration of the available supply, it is useless to include jewelry, knick-knacks and other articles in which gold is used—which have a sentimental value to people.

A brief reference to the stock in the United States in this connection may not be out of place. The estimate of $3,000,000,000 ignores the gold that has been taken abroad in the pockets of people and spent in foreign lands. It also leaves out of consideration a very large part of the total used in arts. We can, however, be sure of the total of the net importation of about $800,000,000 that has arrived in this country since the outbreak of the war, the gold that is deposited as security for gold certificates issued by the Treasury, the till money of the banks amounting to about $200,000,000, and the gold in the pockets of the people totaling probably $200,000,000. The total, at a liberal computation, does not amount to more than $2,000,000,000—of which the Federal reserve is already in control of about $1,500,000,000.

It is admitted on all hands that the Federal reserve will be able to round up practically the whole of the balance of $500,000,000 that is now in the banks and floating in the country, in view of the fact that arrangements have practically been completed for the suspension of gold payments over the counter. Even on the supposition that our note issues may exceed $5,000,000,000, which I mentioned as the limit, we would still be in a position more advantageous than any belligerent nation. But the question for consideration is: How will such a procedure affect the future economic welfare of the country? We have one advantage of importance; the people of the United States have long been accustomed to paper money—excepting in some portions of the Far West. But, prices having advanced much higher here than in any other part of the world—in spite of the efforts to keep prices at an equitable level—there is a corresponding increase in the demand for currency. What effect the knowledge of the fact that the paper is non-convertible will have on the general public is hard to conjecture—especially as the people of the United States have been large spenders. How will banks operate, with only the cash reserve held by the reserve banks? What effect will the increase in silver circulation, which is now coming to pass, have on the relation between gold, notes and prices? A multitude of questions will have to be tackled—questions which are hardly familiar to us. Furthermore, the increase in the paper circulation in the countries of our Allies will have a direct bearing on our position, and in a general way tend to depreciate our own.

The consolidation of the debts of the different countries will have a direct influence on the future of gold, although not as much as the redemption of paper money. In a way, they are connected; the more the paper redeemed, the less the total of a country's indebtedness. But, will the act of maintaining gold in the position that it occupied before the great conflict help toward an easy solution of the debt and currency problem? The experience of the past, both in Asia and Europe, is that straight methods are impossible, when a country's indebtedness exceeds the annual national income for two years. Juggling with budgets, taxation and revenue will be the rule rather than the exception; and a gold standard is incompatible with such a state of affairs. There need be no repudiation, or recourse to methods known to be patently dishonest; but the public in the different countries must be made to believe that their debts are being paid without the infliction of unnecessary hardships. In the end, the payment of debts is going to be by book-entry, and nothing else. But the statesmen in control of national finances should not make the fact too patent.

But the most important of all is the effect of the maintenance of the gold standard on the future of international trade. Beginning with England early in the nineteenth century, Germany, the Latin Union, the United States, Japan and the rest of the world were obliged to have gold as the standard because the creditor had an advantage in demanding settlement in gold, and the debtor country wanted to avoid unnecessary handicaps. At present, of course, no country is able to make settlements in gold. After the war, only Great Britain and the United States will be able to make such settlements, and that in a limited way. But, what about the rest of the world? What is there to prevent them from combining to do away with settlements in gold? As they have not gold enough, even to support their expanded currencies, it is to their interest to make radical changes in the nature of the gold standard. When there is such agreement among so many countries—practically the whole of Continental Europe will be unanimous on this point—there is no danger of loss of of credit, except with Great Britain and the United States. These two latter countries cannot afford to ignore the rest of the world, for, in such case, they will have no foreign trade worth speaking of. Hence they must make important concessions with respect to the maintenance of gold as the standard of value.

Under the circumstances, it is not at all improbable that the different countries may change the basis of their currency and indebtedness even before the war. Some time or other, at an early date, the public must be made to understand that the real security for the numerous paper issues, as well as loans, is the credit of the government and the resources of the country. As a matter of fact, even today, the public in the different warring countries is beginning to understand that the real security behind the paper issues is not the gold in the treasuries. Why not release the gold, and let it go into circulation, is a question now being asked in Europe. The release of the gold, it is stated, will infuse new confidence in the finances of the governments. Time alone will show to what extent this idea will be developed in Europe.

The United States is simply following in the lines of Europe with regard to the conservation of gold. In many well-informed quarters it is being felt that restrictions with regard to gold movements are being carried to an extent, subversive of the confidence of the public in the financial stability of the government. It would, however, seem that it is much better to retain the confidence of the public than to attempt to hoard all the gold of the country in the vaults of the Federal reserve.

CONVENTION CALENDAR

Date	Association	Place
April 22, 23, 24	Executive Council A. B. A.	Hot Springs, Ark.
May 9-10-11	Alabama	Birmingham
May 14-15-16	Texas	Galveston
May 21-22	Missouri	———
May 23-24	Kansas	Hutchinson
May 28-29	Mississippi	Clarksdale
May	New Jersey	———
June 20-21	New York	Atlantic City, N. J.
June	Iowa	Dubuque
June	Oregon	Bend
June	South Dakota	Rapid City
Sept. 5	Delaware	———
Sept. 23-28	American Bankers	Chicago
———	Florida	Tampa
———	Montana	Billings
———	North Dakota	Mandan
———	Wyoming	Laramie

WAR EXCESS PROFITS TAX COMPARISONS

BY SEYMOUR KNIGHT

TWO features of the War Excess Profits Tax that have not escaped the notice of the legal profession or expert accountants are, that from the standpoint of the corporation as a taxpayer, the corporation should see, first, that its invested capital, as legally defined, is as large as permissible and, second, that all permissible deductions are made from net earnings. Any error in these two determinations will vitally affect the amount of the corporation's tax.

Table I is given to show the effect on taxation of income from an increased invested capital for the same income, both legally determined, or to show the taxation of six corporations, each with different invested capital and with the same income. Corporation (1) is assumed to have a 1917 invested capital of $1,000,000, and an income of $300,000 or 30%. Corporation (6) is assumed to have a 1917 invested capital 50% greater, or $1,500,000, with the same income. The tax, column 15, decreases from $63,900 to $38,650 or 39½%. The percentage of taxation to invested capital decreases from 6.39% to 2.58%, column 17, and to income from 21.3% to 12.9%, column 18.

TABLE I

	1 1917 Invested Capital	2 1917 Income	3 Per Cent. Capital Increase	4 Per Cent. Income to Capital	5 Deduction of 9% of Capital + $3,000	6 Net Income for Taxation
(1)	$1,000,000	$300,000	0	30	$93,000	$207,000
(2)	1,100,000	300,000	10	27.3	102,000	198,000
(3)	1,200,000	300,000	20	25	111,000	189,000
(4)	1,300,000	300,000	30	23.1	120,000	180,000
(5)	1,400,000	300,000	40	21.4	129,000	171,000
(6)	1,500,000	300,000	50	20	138,000	162,000

15% of invested capital less the deductions of Column 5 give the income taxed at 20% in Column 7.

	1 1917 Invested Capital	7 Net Income Taxable at 20%	8 at 25%	9 at 35%	10 at 45%	6 Total
(1)	$1,000,000	$57,000	$50,000	$50,000	$50,000	$207,000
(2)	1,100,000	63,000	50,000	50,000	35,000	198,000
(3)	1,200,000	69,000	50,000	50,000	20,000	189,000
(4)	1,300,000	75,000	50,000	50,000	5,000	180,000
(5)	1,400,000	81,000	50,000	40,000	......	171,000
(6)	1,500,000	87,000	50,000	25,000	......	162,000

	1 1917 Invested Capital	11 Amount of Tax at 20%	12 at 25%	13 at 35%	14 at 45%	15 Total
(1)	$1,000,000	$11,400	$12,500	$17,500	$22,500	$63,900
(2)	1,100,000	12,600	12,500	17,500	15,750	58,350
(3)	1,200,000	13,800	12,500	17,500	9,000	52,800
(4)	1,300,000	15,000	12,500	17,500	2,250	47,250
(5)	1,400,000	16,200	12,500	14,000	......	42,700
(6)	1,500,000	17,400	12,500	8,750	......	38,650

	1 1917 Invested Capital	2 Percentages of Taxation 1917 Income	15 Tax	16 Per Cent. Tax Decrease	17 Per Cent. of Tax To Capital	18 To Income
(1)	$1,000,000	$300,000	$63,900	0	6.39	21.3
(2)	1,100,000	300,000	58,350	8.7	5.30	19.4
(3)	1,200,000	300,000	52,800	17.4	4.40	17.6
(4)	1,300,000	300,000	47,250	26.1	3.63	15.7
(5)	1,400,000	300,000	42,700	33.2	3.05	14.2
(6)	1,500,000	300,000	38,650	39.5	2.58	12.9

Table II is given to show the effect on taxation of income for a decreased income from the same invested capital, both legally determined, or to show the taxation of six different corporations each with a different income and the same invested capital. Corporation (1) is assumed to have a 1917 invested capital of $1,000,000 and an income of $300,000 or 30%. Corporation (6) is assumed to have the same 1917 invested capital of $1,000,000 and a 1917 income 50% less or $150,000. The tax, column 15, decreases from $63,900 to $11,400 or 82.3% The percentage of taxation to invested capital decreases from 6.39% to 1.14%, column 17, and to income from 21.3% to 7.6%, column 18.

The reason for the decrease in taxation percentages is obvious from an examination of the net income taxable at different percentages in columns 7, 8, 9 and 10 of both tables. In Table I, column 7, the net incomes increase, which are taxable at 20%, leaving relatively less incomes taxable at 35% and 45%. In Table II, column 7, the net incomes do not increase, which are taxable at 20%, leaving relatively more income taxable at higher percentages, but taxable on much less amounts of income.

Corporation (6) of Table II to be strictly comparable with corporation (6) of Table I, with a 20% ratio of income to invested capital, would be with $1,000,000 invested capital and a $200,000 income. The tax will decrease from $63,900 to $23,900 or 62.6%. The percentage of taxation to invested capital decreases from 6.39% to 2.39% and to income from 21.3% to 12.%.

TABLE II

1 1917 Invested Capital	2 1917 Income	3 Per Cent. Income Decrease	4 Per Cent. Income to Capital	5 Deduction of 9% of Capital + $3,000	6 Net Income for Taxation
(1) $1,000,000	$300,000	0	30	$93,000	$207,000
(2) 1,000,000	270,000	10	27	93,000	177,000
(3) 1,000,000	240,000	20	24	93,000	147,000
(4) 1,000,000	210,000	30	21	93,000	117,000
(5) 1,000,000	180,000	40	18	93,000	87,000
(6) 1,000,000	150,000	50	15	93,000	57,000

15% of invested capital or $150,000 less $93,000 = $57,000 to be taxed at 20%.

1	7	8	9	10	6
	Net Income Taxable				
1917 Invested Capital	at 20%	at 25%	at 35%	at 45%	Total
(1) $1,000,000	$57,000	$50,000	$50,000	$50,000	$207,000
(2) 1,000,000	57,000	50,000	50,000	20,000	177,000
(3) 1,000,000	57,000	50,000	40,000	......	147,000
(4) 1,000,000	57,000	50,000	10,000	......	117,000
(5) 1,000,000	57,000	30,000	......	......	87,000
(6) 1,000,000	57,000	......	......	......	57,000

1	11	12	13	14	15
	Amount of Tax				
1917 Invested Capital	at 20%	at 25%	at 35%	at 45%	Total
(1) $1,000,000	$11,400	$12,500	$17,500	$22,500	$63,900
(2) 1,000,000	11,400	12,500	17,500	9,000	50,400
(3) 1,000,000	11,400	12,500	14,000	......	37,900
(4) 1,000,000	11,400	12,500	3,500	......	27,400
(5) 1,000,000	11,400	7,500	......	......	18,900
(6) 1,000,000	11,400	......	......	......	11,400

1	2	15	16	17	18
	Percentages of Taxation				
				Per Cent. of Tax	
1917 Invested Capital	1917 Income	Tax	Per Cent. Tax Decrease	To Capital	To Income
(1) $1,000,000	$300,000	$63,900	0	6.39	21.3
(2) 1,000,000	270,000	50,400	21.1	5.04	18.7
(3) 1,000,000	240,000	37,900	40.7	3.79	15.8
(4) 1,000,000	210,000	27,400	57.1	2.74	13.0
(5) 1,000,000	180,000	18,900	70.4	1.89	10.5
(6) 1,000,000	150,000	11,400	82.3	1.14	7.6

War Savings Certificates and Thrift Stamps Ready to be Bought by the Nation

Great Selling Plan Perfected, Reaching into Every Community—Help of American Bankers Association Enlisted in the Work—Full Details as to Price, Form, Maturities, Etc.

BY JEROME THRALLS

ABOUT ninety of the most important men in the country met, Thursday evening, November 15, in the Red Room of the Hotel Willard, at Washington, D. C., at what was probably the simplest and most inexpensive dinner ever served to men of their standing. William G. McAdoo, Secretary of the Treasury, described the issue of $2,000,000,000 War Savings Certificates authorized by Act of Congress, September 24. Turning to Frank A. Vanderlip, who sat at his side, he said: "And that is the man I selected for the job of selling them."

Mr. Vanderlip has looked beyond the mere job of selling; he has devised a method of selling which will produce the greatest public good. That method is a campaign to educate the people of the United States to "Thrift"—to saving to the point of sacrifice—a campaign to eliminate waste, to reduce consumption, to increase production, to increase the wealth of every home in the country, and to place that wealth at the disposal of the government, week by week, as it accumulates, through the medium of War Savings Certificates and Thrift Stamps.

These ninety men of national prominence came to Washington at the call of Mr. Vanderlip just as he had abandoned his enormous interests and had come to the Capital to serve in answer to his country's call. These men are among the busiest in the land. They have closed their desks and will devote practically their entire time to this great undertaking.

In organizing the field forces for this nation-wide thrift campaign, Mr. Vanderlip called to Washington the following gentlemen to be known as Federal directors:

E. C. Bradley for Arizona, California, Idaho, Nevada, Oregon, Utah and Washington.

Fred W. Fleming for Arkansas, Colorado, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, Texas and Wyoming.

J. F. Harris for Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont.

J. D. Lyon for Delaware, Kentucky, Ohio, Pennsylvania and West Virginia.

Otto Marx for Alabama, District of Columbia, Florida, Georgia, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee and Virginia.

H. B. Riley for Illinois, Indiana, Iowa, Michigan, Minnesota, Montana, North Dakota, South Dakota and Wisconsin.

These six Federal directors will supervise and stimulate the activities of state directors in the twelve Federal reserve districts. The state directors and the group executives which Mr. Vanderlip has called to Washington to aid in his preparatory work formed the balance of the audience. The state directors are:

Moorehead Wright, Little Rock, Ark., president Union Trust Company; Chairman Finance Committee, State Council of Defense.

John Evans, Denver, Colo., president International Trust Company; Chairman Finance Committee, State Council of Defense.

P. W. Goebel, Kansas City, Kan., president Commercial National Bank; ex-president American Bankers Association.

Festus J. Wade, St. Louis, Mo., president Mercantile Trust Company and Mercantile National Bank.

Ward M. Burgess, Omaha, Neb., president Burgess-Nash Company Department Store; vice-president Omaha National Bank.

Hallett Reynolds, Las Vegas, New Mexico, vice-president First National Bank.

Asa Ramsey, Tulsa, Oklahoma, vice-president First National Bank, Muskogee.

Louis Lipsitz, Dallas, Texas.

William C. Irvine, Douglas, Wyo.

R. L. Archer, Huntington, W. Va., cashier First National Bank.

Martin A. Ryerson, Chicago, Ill.

J. D. Oliver, South Bend, Ind., president Oliver Chilled Plow Company.

Homer A. Miller, Des Moines, Iowa, president Iowa National Bank.

Frank W. Hubbard, Detroit, Mich., Peninsular Bank.

A. R. Rogers, Minneapolis, Minn., director Rogers Lumber Company; director Northwest National Bank.

H. W. Turner, Butte, Mont., president Montana Electric Company; president Montana Mattress Company.

J. H. Puelicher, Milwaukee, Wis., vice-president Marshall & Ilsley Bank.

Crawford Johnson, Birmingham, Ala., Coca Cola Company.

Daniel J. Callahan, Washington, D. C., president and general manager Norfolk & Washington Steamboat Company.

J. F. G. Griggs, Tampa, Fla.

Dr. P. H. Saunders, New Orleans, La., president Commercial Trust Savings Company.

Col. Robert B. Crain, Mt. Victoria, Md.

F. H. Fries, Winston-Salem, N. C., president Wachovia Bank and Trust Company.

R. G. Rhett, Charleston, S. C., president United States Chamber of Commerce.

T. R. Preston, Chattanooga, Tenn., president Hamilton National Bank.

Thos. B. McAdams, Richmond, Va., vice-president Merchants National Bank.

Howell Cheney, Hartford, Conn.

Herbert J. Brown, Portland, Me.

Robert F. Herrick, Boston, Mass., of Herrick, Smith, Donald & Farley.

Dwight Morrow, Englewood, N. J., J. P. Morgan & Co., New York.

Frederic Winthrop Allen, New York, N. Y., Lee, Higginson & Company.

Wm. J. Tully, New York, N. Y., Metropolitan Life Insurance Company.

Theodore F. Green, Providence, R. I.

Ex-Governor Frederic A. Howland, Montpelier, Vt., National Life Insurance Company.

John S. Drum, San Francisco, Cal. (north section), president Savings Union Bank & Trust Company.

G. A. Davidson, San Diego, Cal. (south section).

Ex-Governor James H. Hawley, Boise, Idaho.

Fred J. White, Reno, Nev., postmaster.

C. S. Jackson, Portland, Ore., editor Portland *Journal.*

George T. Odell, Salt Lake City, Utah.

Daniel Kelleher, Seattle, Wash., chairman board of directors, Seattle National Bank.

Henry F. Scott, Wilmington, Del., president Scott & Co.

James B. Brown, Louisville, Ky., president National Bank of Commerce.

H. P. Wolfe, Columbus, Ohio.

Robert K. Cassatt, Philadelphia, Pa. (east).

Hon. James Francis Burke, Pittsburgh, Pa. (west).

It is planned that on December 3, War Savings Stamps and Thrift Stamps will be on sale in 55,000 post offices, in upwards of 28,000 banks and in many thousands of commercial and industrial establishments which will by that time be commissioned by the Secretary of the Treasury as authorized agents for the sale of these government obligations.

Mr. Vanderlip has secured the co-operation of the chief industrial forces of the nation. Arrangements have been made to sell certificates and stamps through the media of the schools, chain stores, civic and commercial organizations, fraternal, labor, educational and religious organizations headed by national bodies. The banks will take an active part in the distribution of certificates and stamps. Charles A. Hinsch, President of the American Bankers Association, has been intrusted by Mr. Vanderlip with the work of getting the full co-operation of every bank, trust company and banking house in America. Serving under Mr. Hinsch at Washington are Messrs. Jerome Thralls, Milton W. Harrison and R. F. Ayers, who were members of the General War Loan Committee of the American Bankers Association during the first Liberty Loan campaign.

The Federal directors will remain permanently at Washington in constant touch with Mr. Vanderlip. They have, however, decentralized their districts by the appointment of state directors—each one a man of such prominence, influence and acquaintance that he may be counted upon to organize the state under his jurisdiction, through the appointment of the most forceful and influential men in each community to build committees of aggressive workers, which will reach every town and hamlet of the country.

These committees, organized down to the complete covering of every community, will undertake the detail work of the campaign which Mr. Vanderlip has devised. Much will be left to the initiative of the state directors, but certain fundamental principles of the campaign will be adhered to. A cardinal principle of the movement is the educating of every household to the knowledge that expenditure for things not absolutely necessary, competes with the government for the labor and material necessary to provide those things—that a dollar saved means the freeing to the government of a dollar's worth of labor and material, which it sorely needs; that this dollar, when saved, if invested in thrift stamps and war savings certificates performs a double service, since it enables the government to pay for the goods and services it must have to win the war.

A strong feature of the campaign will be the formation of "War Savings Societies." The people of Great Britain have formed during the past twenty months 42,000 of these organizations, which have proved to be of the greatest economic benefit to that country and which have produced over $600,000,000 of funds which have been loaned to the government, largely from people who never before saved a dollar and whose education in thrift, new to them, has resulted in a simultaneous increase in savings bank deposits exceeding an average of $80,000,000 per annum during the same period.

The war savings societies, as planned for in this country, are greatly simplified over the English idea. The form that Mr. Vanderlip's committee has approved is simplicity itself. A war savings society may be organized by any group of ten or more people who will band themselves together for the purpose of consistent saving and who will pledge their best efforts to increase the membership of their society, thereby educating others to the necessity and value of thrift. Charters will probably be granted to these societies by the Secretary of the Treasury. A simple form of accounting comprising a single sheet of paper will provide a perfect record of members, and the sales made to members, of certificates and stamps. It is estimated that a minimum of 60,000 of these societies can be formed in this country within one year, with a strong possibility that double this number may be in operation before December, 1918.

The following letters, circular and authority to act as agent have been sent to every incorporated bank and trust company in America.

To National Banks, State Banks and Trust Companies of America:

The Act of Congress authorizing the second Liberty Loan also gave authority to the Secretary of the Treasury to issue $2,000,000,000 War Savings Certificates.

These certificates will be dated January 2, 1918, and the series of 1918 will mature January 1, 1923. Certificate stamps evidencing payments for War Savings Certificates will be sold at $4.12 each in December, 1917, and January, 1918, and at one cent more each succeeding month of the year 1918. When affixed to War Savings Certificates these stamps will be redeemed by the government at maturity for $5 each, which is equivalent to 4 per cent. interest compounded quarterly on the average price at which the 1918 series will be sold.

No person may hold at any one time more than $1,000 of these certificates (maturity value). War Savings Certificate stamps must be attached to a certificate which is designed to hold twenty stamps. The certificate must have the name of the owner written thereon (but not necessarily the owner's signature), and is not transferable. It can be cashed at any time before maturity by the holder at any money order post-office. The post-office will require ten days' written notice before payment. In the event the certificate is cashed before maturity, the holder is paid the cost of each stamp thereon, plus one cent for each stamp for each calendar month, after January, 1918, amounting approximately to 3 per cent. simple interest.

The Secretary of the Treasury will also issue twenty-five-cent United States Thrift Stamps. The object of Thrift Stamps is to permit a person to accumulate in small amounts a sum sufficient to acquire a War Savings Certificate stamp. United States Thrift Stamps are convertible only during 1918 into War Savings Certificate stamps and do not bear interest.

As a part of the organization of the Treasury Department in the issuance of these certificates and stamps, the Secretary of the Treasury has appointed six Federal directors, each of whom will have general supervision of the work within the territory of two Federal reserve districts, and a state director in charge of the work in each state. A list of the Federal and state directors is inclosed herewith. It is hoped that through co-operation of the banks with the Federal and state directors and local organizations, the work of the National War Savings Committee may be brought very close to all the people of the country.

As chairman of the National War Savings Committee, appointed by the Secretary of the Treasury, I have asked the American Bankers Association, through its President, Mr. Charles A. Hinsch, to aid in securing the co-operation and active assistance of every banker in the nation.

There is real need for the fullest co-operation of the banks with the treasury, and it is desired that every incorporated bank and trust company in the United States become an authorized agent of the Secretary of the Treasury for the sale of these War Savings Certificate stamps and United States Thrift Stamps. The Government asks that you co-operate with Mr. Hinsch and present a solid front of patriotism so that we may know that every bank in this country has volunteered its services to the nation for this purpose.

Mr. Hinsch will call you to action and I hope you will promptly respond.

Faithfully yours,
(Signed) F. A. VANDERLIP,
Chairman, National War Savings Committee.

To the National Banks, State Banks and Trust Companies:

You have received direct from the Secretary of the Treasury Department Circular No. 94 (War Savings Circular No. 1), explaining the detail of the $2,000,000,000 issue of War Savings Certificates. You have also received from Mr. Frank A. Vanderlip, Chairman of the War Savings Committee, a letter prefacing an intensive nationwide campaign designed to drive home to every individual in the nation the lesson of saving and thrift as a national necessity.

Every banker is vitally concerned. You want to assist in financing the war in a way which will protect and foster commerce and industry. You want to do all you can to protect your business and the business fabric of the nation. Nothing will have a more far-reaching effect than the creation of an army of thirty million new savers. There is no body of men in America which can wield a greater influence and do more to initiate this great undertaking than the bankers. Patriotism alone should impel every banker to action.

The Secretary of the Treasury wishes every banking institution in America to take an active part in this work. It is desired:

> First. That every incorporated bank and trust company become an authorized agent of the government in the sale of War Savings Certificates.
>
> Second. That every incorporated bank and trust company name an active man in its service, preferably an officer, whose duty will be to study and keep in touch with this movement. I shall endeavor to have any officer or employee recommended by you designated by the Secretary of the Treasury as director of the War Savings Division of your institution.

The French are the most thrifty people in the world. Their thrift had enabled them to advance to their government from their savings before America's entrance into the war over $19,000,000,000. The people of Great Britain have formed in twenty months over 42,000 war savings associations, through which men, women and children who had never saved a dollar before have accumulated hundreds of millions of dollars. At the same time regular savings deposits there have increased at the rate of $80,000,000 per annum. Thus tremendous sums were placed at the disposal of the government for war purposes and the banks were protected from withdrawals of accumulated savings.

It is expected you will receive in this mail from the Secretary of the Treasury an appointment as Authorized Agent of the Treasury Department for the sale of War Savings stamps and Thrift stamps. Upon receipt of such appointment you may purchase from the Federal reserve bank of your district or one of its branches or from a post office War Savings stamps of not more than $1,000 maturity value, and any desired quantity of 25-cent United States Thrift Stamps, and will be furnished without cost necessary War Savings Certificates and Thrift Cards. Larger lots of War Savings stamps may be obtained on consignment from your Federal reserve bank or one of its branches by depositing collateral with it upon the conditions and in the manner to be provided in a further Treasury Department circular to be shortly issued as stated in Department Circular No. 94 (War Savings Circular No. 1).

Success in this campaign will make easier the financing of the government, of commerce and of industry, and it will relieve the banks from the tremendous amount of detail work and expense incurred in handling bonds on the dollar-a-week plan. The government needs your co-operation and is depending upon you to expedite matters by having available certificates and stamps for sale over your counter on the date the campaign opens, namely, December 3, 1917, and by then having a man appointed to serve as Director of your War Savings Division.

People today without bank accounts can save billions of dollars—protect a million American lives—safeguard and further our business welfare. The necessity of teaching them this duty lies before us. We are confident that you will respond to the call.

I shall appreciate receiving from you at any time suggestions that will expedite this movement.

Sincerely yours,
(Signed) CHARLES A. HINSCH,
President.

To the National Banks, State Banks and Trust Companies of America:

The War Savings Certificates offered for sale under Treasury Department Circular 94 (War Savings Circular No. 1) afford a means through which every man, woman and child in America can aid in financing the great war which this nation is waging in behalf of human liberty and freedom.

This issue of small obligations of the government also affords a splendid opportunity for bringing into every home in this land the lesson of saving and thrift as a national necessity. The habit of saving once formed is seldom dropped. Savers soon become investors. Building up an army of small investors promotes in an extraordinary way the financial strength of the nation. Bankers can be of tremendous assistance in extending the sale of War Savings Certificates and in furthering the movement to inculcate in the minds of our citizens the need for the elimination of waste, for greater saving, and for increased production, as means of winning the war and insuring our future welfare.

For the purpose of enabling the Secretary of the Treasury more effectively to exercise the authority conferred upon him by the provisions of the act of September 24, 1917, with reference to the issuance of War Savings Certificates, a National War Savings Committee has been appointed, as follows:

Mr. Frank A. Vanderlip, Chairman, Mr. Charles L. Baine, Mrs. George Bass, Mr. Frederick A. Delano, Mr. Henry Ford, Mr. Eugene Meyer, Jr.

Federal directors have also been appointed, upon whom supervisory powers have been conferred as to the work of the National War Savings Committee within the several Federal reserve districts. In most instances the jurisdiction of each Federal director extends over two Federal reserve districts.

State directors have also been appointed, whose duty it will be to take charge of the work of the National War Savings Committee within their respective states.

County, town and city organizations are being formed for the purpose of giving every citizen an opportunity to co-operate in making this issue of War Savings Certificates an unqualified success.

I am sending you an appointment as authorized agent of the Treasury Department to receive and issue United States War Savings Certificate Stamps and United States Thrift Stamps. I sincerely trust you will evidence your interest in this undertaking by signing and returning to me promptly the inclosed acceptance of appointment, together with recommendation of one of your officers or employees for designation by me as Director of the War Savings Division of your institution. Upon receipt thereof I shall send a commission to the person so recommended.

In order further to expedite the sale and distribution of War Savings Certificates, War Savings Certificate Stamps and United States Thrift Stamps the Secretary of the Treasury desires to appoint a large number of authorized agents. Blank forms of application for such appointment are inclosed. Any individual, partnership, association or corporation desiring to secure an appointment as authorized agent should fill out and sign one of these blanks. If, in your judgment, the applicant possesses the proper qualifications, you are requested to fill in the blank at the lower left-hand corner of the application, indicating your approval, and forward the application to the Secretary of the Treasury in the franked envelope provided for that purpose. It is essential that an agent be a person of the highest integrity. It is not, however, essential that an agent be a person of substantial financial responsibility. Teachers, professional men, merchants and other reputable persons, who buy and pay for their stamps, may very properly be recommended by you for appointment as agents, depending largely upon the personal standing of the applicants in your community.

I bespeak your co-operation along the lines suggested in the inclosed letter signed by Mr. Charles A. Hinsch, President of the American Bankers Association.

Very truly yours,
W. G. McAdoo,
Secretary of the Treasury.

UNITED STATES OF AMERICA

War Savings Certificates
Series of 1918

Department Circular No. 94.
(War Savings Circular No. 1.)

The Secretary of the Treasury offers for sale to the people of the United States an issue of United States War Savings Certificates, Series of 1918, authorized by act of Congress, approved September 24, 1917. Payments for or on account of such War Savings Certificates must be evidenced by United States War Savings Certificate Stamps, Series of 1918, which are to be affixed thereto. The sum of such War Savings Certificates outstanding shall not at any one time exceed in the aggregate $2,000,000,000 (maturity value). The amount of War Savings Certificates sold to any one person at any one time shall not exceed $100 (maturity value), and it shall not be lawful for any one person at any one time to hold War Savings Certificates to an aggregate amount exceeding $1,000 (maturity value).

War Savings Certificates, War Savings Certificate Stamps, and United States Thrift Stamps (described below) may be purchased, at the prices hereinafter mentioned, at post-offices, and at numerous banks and other agencies to be appointed by the Secretary of the Treasury. Advance sales will begin December 3, 1917. All sales of War Savings Certificates and War Savings Certificate Stamps made in December, 1917, will be at the January, 1918, price, and the date of issue of all certificates so sold will be deemed January 2, 1918.

DESCRIPTION OF WAR SAVINGS CERTIFICATES

A United States War Savings Certificate, Series of 1918, will be an obligation of the United States when, and only when, one or more United States War Savings Certificate Stamps, Series of 1918, shall be affixed thereto. Each of such War Savings Certificates will have spaces for 20 War Savings Certificate Stamps, Series of 1918, and each of such stamps thereto affixed will have a maturity value of $5 on January 1, 1923, which will acordingly give each such certificate, when bearing its full complement of such stamps, a maturity value of $100 on said date. No War Savings Certificate will be issued unless at the same time one or more War Savings Certificate Stamps shall be purchased and affixed thereto, but no additional charge will be made for the War Savings Certificate itself. The name of the owner of each War Savings Certificate must be written upon such certificate at the time of the issue thereof.

War Savings Certificate Stamps, Series of 1918, will be issued in 1918 at the following prices:

January	$4.12	July	$4.18
February	4.13	August	4.19
March	4.14	September	4.20
April	4.15	October	4.21
May	4.16	November	4.22
June	4.17	December	4.23

The average issue price above fixed for the year 1918 with interest at 4 per cent. per annum compounded quarterly for the average period to maturity will amount to $5 on January 1, 1923.

Payment at Maturity

Owners of War Savings Certificates will be entitled to receive, on January 1, 1923, at the Treasury Department in Washington, or at a money-order post-office, upon surrender of such certificates and upon compliance with all other provisions thereof, $5 in respect of each War Savings Certificate Stamp, Series of 1918, then affixed thereto, but no post-office shall be required to make any such payment until ten days after receiving written demand therefor.

Payment Prior to Maturity

Any owner of a War Savings Certificate, at his option, will be entitled to receive at any time after January 2, 1918, and prior to January 1, 1923, at a money-order post-office, upon surrender of his certificate and upon compliance with all other provisions thereof, in respect of each War Savings Certificate Stamp, Series of 1918, then affixed to such certificate, the amount indicated in the following table, but no post-office shall make any such payment until ten days after receiving written demand therefor:

Month	1918	1919	1920	1921	1922
January	$4.12	$4.24	$4.36	$4.48	$4.60
February	4.13	4.25	4.37	4.49	4.6[illegible]
March	4.14	4.26	4.38	4.50	4.62
April	4.15	4.27	4.39	4.51	4.63
May	4.16	4.28	4.40	4.52	4.64
June	4.17	4.29	4.41	4.53	4.65
July	4.18	4.30	4.42	4.54	4.66
August	4.19	4.31	4.43	4.55	4.67
September	4.20	4.32	4.44	4.56	4.68
October	4.21	4.33	4.45	4.57	4.69
November	4.22	4.34	4.46	4.58	4.70
December	4.23	4.35	4.47	4.59	4.71

January 1, 1923, $5.

Registration

War Savings Certificates may be registered without cost to the owners at any post-office of the first, second, or third class, subject to such regulations as the Postmaster-General may from time to time prescribe, and payment in respect of any certificate so registered will be made only at the post-office where registered. Unless registered, the United States will not be liable if payment in respect of any certificate or certificates be made to a person not the rightful owner thereof.

War Savings Certificates Not Transferable

War Savings Certificates are not transferable and will be payable only to the respective owners named thereon, except in the case of the death or disability of any such owner.

Tax Exemption

War Savings Certificates shall be exempt, both as to principal and interest from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (*a*) estate or inheritance taxes, and (*b*) graduated additional income taxes, commonly known as surtaxes, and excess profits and war profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates, authorized by said act of September 24, 1917, the principal of which does not exceed in the aggregate $5,000, owned by any individual, partnership, association, or corporation, shall be exempt from the taxes provided for in clause (*b*) above.

THRIFT CARDS AND THRIFT STAMPS

Payments on account of War Savings Certificates may also be evidenced by United States Thrift Stamps, having a face value of 25 cents each but bearing no interest. United States Thrift Stamps, however, must not be affixed to War Savings Certificates but only to Thrift Cards, which may be obtained without cost. Thrift Stamps as such are not directly redeemable in cash, but each Thrift Card will have spaces for sixteen such Thrift Stamps, and a Thrift Card, when bearing its full complement of such stamps, may be exchanged at a post-office, or other authorized agency, on or before December 31, 1918, for a War Savings Certificate Stamp, Series of 1918, and upon such exchange the owner of such Thrift Card must pay the difference between $4 and the current issue price of War Savings Certificate Stamps during the month in which such exchange is made, as shown by the following table:

January	$4.12	July	$4.18
February	4.13	August	4.19
March	4.14	September	4.20
April	4.15	October	4.21
May	4.16	November	4.22
June	4.17	December	4.23

METHOD OF DISTRIBUTION AND SALE

Post-Offices and Federal Reserve Banks

On or about December 3, 1917, War Savings Certificate Stamps and United States Thrift Stamps (together with Thrift Cards and War Savings Certificates, with suitable pocket envelopes for such certificates) will be furnished (1) to post-offices for sale to the public and to agents of the first class and (2) to Federal reserve banks, as fiscal agents of the United States, for distribution to agents of the second class and also for sale to banks which are agents of the first class; the classification of such agents being hereinafter provided for. Post-offices and Federal reserve banks will maintain available supplies of stamps, certificates and cards in amounts sufficient to meet the requirements for such distribution and sales.

Other Agencies

Banks, bankers and trust companies; railroad and express companies; department and other retail stores; the duly authorized representatives of labor, fraternal and other associations; and other corporations, partnerships and individuals, who patriotically offer their services without expense, either to the United States or to purchasers, will be among those whom the Secretary of the Treasury will in his discretion appoint as agents to sell War Savings Certificate Stamps and United States Thrift Stamps and to issue War Savings Certificates and Thrift Cards.

Blank forms of application for appointment as agent, with necessary information as to execution and filing, may be obtained from any money-order post-office, from agent banks, or from state or local representatives of the National War Savings Committee. Appointments will be made only under authorization of the Secretary of the Treasury.

No agent shall sell any United States Thrift Stamp at any price other than 25 cents for each stamp, nor any War Savings Certificate Stamp at any price other than the current issue price of such stamp during the month in which sold, as hereinabove specified.

Classification of Agents

Two classes of agents will be appointed: First, agents of the first class, who may neither obtain nor hold at any one time in excess of $1,000 of War Savings Certificate Stamps (maturity value); second, agents of the second class, who may obtain at any time or times in excess of $1,000 of such stamps (maturity value) for sale to the public.

Agents of the First Class

Agents of the first class may obtain, for sale to the public, from post-offices, agent banks, or other authorized agents, War Savings Certificate Stamps in any amount desired, not, however, in excess of $1,000 (maturity value), together with an adequate supply of War Savings Certificates, upon payment for such stamps at the current issue price thereof during the month in which such stamps are thus obtained. Similarly, agents of the first class may obtain, for sale to the public, United States Thrift Stamps, together with an adequate supply of Thrift Cards, in any amount desired upon payment for such stamps at 25 cents each.

Agents of the Second Class

Agents of the second class will be required to deposit with the Secretary of the Treasury, or with such agencies as he may designate, United States bonds of any Liberty Loan, or United States certificates of indebtedness, the aggregate par value of which shall be at least equal to the aggregate amount of War Savings Certificate Stamps, at the issue price thereof during December, 1918, as specified above, plus the aggregate face value of United States Thrift Stamps obtained by such agents, respectively. A further Treasury Department circular will shortly be issued specifying the terms and conditions for the deposit of such securities, or of such other securities, the deposit of which may be permitted by such circular under the conditions to be therein specified, and covering other matters of detail particularly concerning such agents of the second class.

OTHER DETAILS

War Savings Certificates will not be receivable as security for deposits of public money and will not bear the circulation privilege.

The Secretary of the Treasury reserves the right at any time to revoke any or all appointments of agents, to withdraw War Savings Certificates, War Savings Certificate Stamps, or United States Thrift Stamps from sale, to refuse to issue or to permit to be issued any War Savings Certificates or Thrift Cards, and to refuse to sell or to permit to be sold any War Savings Certificates or War Savings Certificate Stamps or United States Thrift Stamps to any person, firm, corporation or association.

The right is also reserved to make from time to time any supplement or amendatory regulations which shall not modify or impair the terms and conditions of War Savings Certificates issued or to be issued in pursuance of said act of September 24, 1917.

Further details may be announced by the Secretary of the Treasury from time to time, information as to which will be promptly furnished to the postmasters at money-order post offices and to other agents.

W. G. McAdoo,
Secretary of the Treasury.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

LEGAL QUESTIONS UPON TRADE ACCEPTANCES

PAYMENT BY ACCEPTOR'S BANK

THE question has arisen whether, when a trade acceptance is made payable at a bank, the bank has the right to pay and charge the amount up against the acceptor's account upon presentment at maturity, without express instruction from the maker of the acceptance, the same as it would charge up a customer's check upon payment.

Section 87 of the Negotiable Instruments Act provides: "Where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon." Under this provision the bank would not only be authorized, but it would be its duty, where the acceptor's funds were sufficient, to pay the acceptance upon presentment at maturity without express instructions from the maker to that end.

The Negotiable Instruments Act has been passed in every state of the Union except Georgia and Texas. But in Illinois, Nebraska and South Dakota the above-quoted section is omitted from the law, in Kansas the section, which was originally part of the law, was repealed by Chapter 94, Laws of 1915, and in Minnesota the word "not" has been inserted, so that the section reads "shall not be equivalent," etc. In the five states above named, therefore, it would seem that some express authority or instruction from the customer would be necessary before the bank could pay his acceptance, made payable at the bank, when presented at maturity, unless the bank itself owned the acceptance, in which case it would be chargeable to the customer's account by way of set-off. In Georgia and Texas, also, where the Negotiable Instruments Act has not yet been passed, the rule as to the authority of a bank to pay its customers' paper, made payable at the bank in the absence of express instructions, is somewhat doubtful.

At a meeting of the American Trade Acceptance Council in New York on November 23, the Council were advised to the above effect.

SELLER'S RIGHT OF REPLEVIN

A further question which has arisen in connection with the use of trade acceptances is whether or not a seller of goods receiving a trade acceptance is in any worse position so far as his right of replevin goes than the seller of goods who simply charges the purchase price to the purchaser on an open account. In any case where goods have been sold and delivered and an action of replevin would lie on behalf of the seller because of some breach of contract or fraud entitling him to annul the contract and seize the goods as still his property, the only difference between the position of the seller who takes a trade acceptance and one who has charged the amount in an open account, would seem to be this: In an action of replevin where a trade acceptance has been taken and the seller seeks to rescind the contract, a prerequisite would be a tender of the return of the instrument to the buyer as a condition precedent to the right of recovery. See, for example, Implements Co. *v.* Ellis, 125 Mo. App. 692, wherein it was held as follows: If the vendee gives his notes in liquidation of his purchases, where the vendor seeks to rescind a conditional contract of sale on account of its breach by the vendee, or seeks rescission on the ground of fraud or mispresentation, and brings replevin for the recovery of the goods, a tender of the return of such notes to the vendee is a condition precedent to his right of recovery in the action of replevin.

It would seem to follow that if the seller has retained the trade acceptance in his possession, his position would be no worse with respect to the remedy by replevin than where the goods were sold on open account, but if he has negotiated the acceptance and is unable to tender return of the instrument, this would probably defeat his action.

ACCEPTANCE PAYABLE AT BANK IN ANOTHER PLACE

At a meeting of the American Trade Acceptance Council, held on November 24 in New York, a standard form of trade acceptance was discussed and agreed upon to be recommended for general adoption. A copy of this form is published elsewhere in this issue of the JOURNAL. One of the questions discussed was the desirability of the insertion of some clause to protect the holder against discharge of prior parties where an acceptance is made payable at a bank located in a place other than that of the acceptor. The Negotiable Instruments Act defines a qualified acceptance as one which "in express terms varies the effect of the bill as drawn" and provides that "where a qualified acceptance is taken the drawer and indorsers are discharged from liability on the bill, unless they have expressly or impliedly authorized the holder to take a qualified acceptance, or subsequently assent thereto." The courts have held that where a bill is addressed to the drawee in one place and is accepted payable in another this is a material variation of the bill. Walker *v.* Bank, 13 Barb. 636; Niagara Bank *v.* Fairman Co., 31 Barb. 403. In the usual form of transaction where a bill is made payable to the order of the drawer, accepted by the drawee payable at a bank in another city and returned to the drawer as a trade acceptance, the only prior party in such case would be the drawer and his receipt and negotiation of the bill would, of course, be an assent to the acceptor's making it so payable. If all trade acceptance bills were drawn in this form, there would be no need to insert a protective clause as above indicated. But bills of this character are sometimes made payable to a payee other than the drawer and are negotiated before presentment to the drawee. In such cases if accepted payable at a bank in another locality the rule would operate that prior non-consenting parties are discharged by reason of the qualified acceptance. It was, therefore, deemed necessary to insert in the recommended form a clause binding prior parties which would protect the holder wherever the form of bill should be used by a seller in making a trade acceptance payable to a payee other than himself. After discussion, the following form of protective clause, suggested by General Counsel, was agreed upon for insertion as part of the terms of the trade acceptance:

"The drawee may accept this bill payable at any bank, banker or trust company in the United States which he may designate."

OPINIONS OF THE GENERAL COUNSEL

PAYMENT OF STOPPED CHECK TO BONA FIDE HOLDER

Where a bank pays a stopped check it does so at its peril, but where payment is made to a holder in due course or where the drawer has received full value for the check, there is ground for maintaining the contention that the bank can set off the amount against the drawer's account as equitable purchaser of the check.

From Pennsylvania—We beg to submit for your consideration a transaction which has come within our experience recently as follows: A customer requested that we stop payment on his check for $200. Unfortunately the check was cleared with us on a day following a holiday, which of course was a very busy day, and the stop payment overlooked, and the check charged to the customer's account. He has now entered suit for the recovery of the amount, and while there may be decisions covering a case of this kind, we have evidence from the party to whom the money was paid that the maker of the check received value for the check given, and he refuses to refund the amount, and in event of the maker recovering the amount from us he would receive double value as the result of the transaction. May we ask you to advise us if you have any record of such a case and what the merits of our defense are in your opinion?

The law is clear that a depositor has the right to revoke or stop payment of his check before the same has been paid or accepted. If the bank, notwithstanding the notice not to pay, subsequently pays the check inadvertently or otherwise, the courts in different cases have said, "it does so at its peril" (German Nat. Bank *v.* Farmers Deposit Nat. Bank, 118 Pa. 294); "it is liable to the drawer to the amount thereafter paid on the check" (Bank of Hamilton *v.* Williams, 90 S. E. [Ga.] 718); "it will be held to have made payment out of its own funds and not out of funds of the depositor" (American Defense Society *v.* Sherman Nat. Bank, 162 N. Y. Supp. 1081).

In the above and many other cases where the rule has been applied that the bank pays a stopped check at its peril and cannot charge the amount to the depositor, the courts have failed to state any distinction between payment to a bona fide holder who could, and to a *mala fide* holder who could not, have enforced payment against the drawer had the stop order been obeyed and payment refused. This is doubtless because in the large majority of such cases no contention has been made that payment was made to a holder in due course but the infirmity of the holder's title has been proved or presumed.

But seemingly such distinction is important and one which the courts would be likely to recognize where payment has been made to a holder in due course who could enforce payment of the check from the drawer even though the latter had been defrauded by the payee, and especially in a case like yours where the drawer has received value for the stopped check and the result, if the bank had no recourse, would be that the drawer would receive double value at the expense of the bank.

It would seem that the theory upon which the bank might defend against the drawer in such a case would be that of equitable purchaser of the check. Its authority to pay having been revoked, the money given for the check, while in the form of a payment as agent of the drawer, would not in fact have been so given, but rather an advance of its own money as purchaser of the rights of the holder, with right to set off against the drawer's account.

As bearing upon this theory the following cases are pertinent. In Unaka National Bank *v.* Butler, 83 S. W. (Tenn.) 355, a check on a Tennessee bank was indorsed by the payee in blank and delivered to one Davis who lost it. The drawer and payee both notified the bank of the loss and directed it not to pay. The check was negotiated by the finder to a firm of merchants, for value, and the bank paid the check to the merchants and charged it to the drawer's account. The action was not by the drawer against the bank (presumably he acquiesced in the charge of the check to his account) but by the payee for the use of Davis, the loser of the check. The theory upon which the suit was brought was that the bank having been notified of the loss of the check by the former rightful owner and the drawer, and directed not to honor it, the subsequent payment was unauthorized and a wrongful interference with the property of the owner for which it must answer. The court said that the merchants to whom the check was paid "acquired a perfect title and payment to them by the bank was authorized," that "the title of Davis was destroyed"; that the merchants "acquired a perfect title to the check by their purchase and had a right to collect it and at the same time, in consequence of the same facts, Davis lost his title and is not entitled to recover its proceeds from the bank."

It will be observed that this action was not by the drawer against the bank to recover money paid on a stopped check and charged to his account, but the holder and loser of the check sought to recover its proceeds from the bank on the ground that, having been notified of the loss and directed not to pay it, the bank's acquirement of the check in the face of such notice was a wrongful interference with his property. The ruling of the court that the merchants acquired a perfect title to the check and had the right to collect it and that payment by the bank was authorized would seem to be virtually a ruling that the bank become equitable purchaser of the check, so far as the former owner was concerned, and succeeded to the rights of the merchants who were holders in due course. It would seem to follow that had the action been by the drawer the bank would have been entitled to the same rights.

But this view is not borne out by a decision of the same court, the opinion being written by the same justice, six months later, in Pease & Dwyer *v.* State National Bank, 88 S. W. (Tenn.) 172. A check payable to J. W. Dickson & Co. was stopped payment by the drawer and afterwards paid by the bank. The drawer brought an action against the bank for the amount which had been charged to his account. The court after stating the general rule that payment of a check after it has been revoked "is at the peril of the bank" said:

> "The insistence of the defendant is that the check was countermanded by complainant, not for its own benefit, but for that of the payee; that before payment was forbidden the check had passed into the hands of a bona fide holder for value and without notice, and that the bank, having paid it, is in equity a purchaser, and has the right to set it off against the claim of complainant; and, further, that complainant ratified the payment of the check after it was done by bringing suit against the payees, J. W. Dickson & Co., to recover the sum for which it was drawn, and interest. We can see no force in the first insistence, but it is not necessary to pass upon it, as there is no proof to sustain it. It is true that a check payable to order is a negotiable instrument, and, in the hands of an indorsee for value and without notice, it is a valid indebtedness of the drawer. But no such case is presented by this record. It does not appear that the check was indorsed or passed to any one by J. W. Dickson & Co., or to whom it was paid by the bank."

Then after declaring that the facts as proved with reference to an alleged suit by the drawer against J. W. Dickson & Co. were not sufficient to show a ratification of the payment of the revoked check, the court held "that payment of the check after it was countermanded by the complainant, was unauthorized" and affirmed a decree in favor of the drawer against the bank.

In this case it will be observed the contention was made that the check had passed into the hands of a bona fide holder for value and without notice before payment by the bank and that the court said it could see no force in such contention, but that it was not necessary to pass upon it, as there was no proof to sustain it. It then admits had the check passed into the hands of an indorsee for value, it would have been a valid indebtedness of the drawer, but leaves uncertain whether, in such case, the bank paying the check in violation of the stop-order would be an equitable purchaser with right to set off its amount against the drawer's account.

To sum up these two decisions of the Tennessee Supreme Court, in the Unaka case the bank paying a stopped check to a holder in due course was held authorized to make payment as against the owner of the check who had lost it, while in the Pease & Dwyer case the bank paying a stopped check to one not proved to be a holder in due course, could not charge the same against the drawer, the court stating that had the check been in the hands of a holder in due course, it would have been a valid indebtedness of the drawer, but remarking that it could see no force in the contention that the bank, paying such check after revocation, would be an equitable purchaser with right to set off against the drawer's account; at the same time finding it unnecessary to pass upon the question, there being no proof to sustain the contention.

So far there has little comfort been found for such a theory. But it finds better support in the decision of the Supreme Court of Indiana, in Bedford Bank *v.* Acoam, 125 Ind. 584. That case did not involve payment of a stopped check, but payment of the customer's note made payable at the bank which the maker claimed had been paid without authority. The court used this language:

> "While we are not inclined to the view that a promissory note, negotiable and payable at a bank in this state, is, in all respects, the equivalent of a check drawn by the maker against a fund on deposit in the bank, so as to require the banker to pay the note on presentation out of funds applicable to that purpose (the rule has since been changed by the Negotiable Instruments Act) we can conceive of no valid reason why a note or bill thus drawn should not be held to authorize the banker to pay, and thereby become subrogated to all the rights of the holder to the same extent as if it had purchased the paper after maturity. One who has drawn a note or bill payable at a bank must have done so for some purpose, and he cannot be heard to say, after a banker has paid his just debt for which he had given a note, to which the maker claims no defense, that the payment was wholly voluntary and unauthorized. In such a case, the banker who has paid the note, is entitled to hold it as the equitable owner or purchaser, and is entitled to set it off in a suit to recover a balance due the depositor on general account."

It is to be regretted that no further or more specific authority can be found in support of the proposition that where a bank pays a stopped check to a holder in due course it succeeds to his rights as equitable purchaser against the drawer. But in an action by the drawer against the bank which has charged it with money so paid, it seems to me there is fair ground to maintain such a proposition in defense and that the bank as equitable purchaser has a right to set off the amount against the drawer's account. The Negotiable Instruments Act provides that "a holder who derives his title from a holder in due course who is not himself a party to any fraud or illegality affecting the instrument, has all the rights of such former holder in respect of all parties prior to the latter." The bank which has acquired such stopped check has not paid out the drawer's money therefor, as its authority so to do has been revoked, but it has paid its own money and acquired the rights of the former holder. It would seem that the language of the Supreme Court of Pennsylvania in German Nat. Bank *v.* Farmers Deposit Nat. Bank, first above cited, that a bank pays a stopped check "at its peril" in itself carries the implication that while the bank makes such payment at its risk and peril, this is not an absolute foreclosure of recourse for the money so paid, but only in case the drawer would be damaged by the bank's act, because of payment to a *mala fide* holder or to one whose title was otherwise infirm. Where a stopped check is an enforceable obligation against the drawer in the hands of a holder in due course, the latter is not damaged because of its payment by the bank for, if refused payment, the drawer would be answerable to such holder. With stronger reason in a case such as presented by you, where the drawer has actually received full value from the payee of the check, should a contention be sustained that the bank has a right of set-off against the drawer's account as equitable purchaser. I trust the above discussion may be of some slight aid in preparing your defense.

EXTENSION OF INDORSER'S TIME OF PAYMENT OF PROTESTED NOTE

An agreement by the holder of a protested note with the last indorser to accept payment by weekly instalments does not discharge a prior indorser from liability.

From New York—We purchased a note made by Smith, payable to Jones' wife and indorsed by Jones. The note matured and was protested for nonpayment, the notice being regularly mailed to the indorsers. Two years have elapsed since any payments have been made on the note, and Jones now wishes to make payments of $10 each week on the note until the total amount is paid. In what way will this affect the liability of the previous indorser, Jones' wife, assuming that she knows nothing of the agreement in regard to the payments?

The courts generally hold that the fact that the liability of indorsers to a note is fixed by the necessary steps upon dishonor, does not alter their relation as surety of the debt and that they would be discharged by a valid and binding extension of time granted by the holder to the principal debtor or maker. See, for example, Veazie *v.* Carr, 3 Allen (Mass.) 14, holding that the taking of money by the holder of an overdue note from the maker, in consideration of forbearance for a time to come to press him for payment and forbearance, accordingly, without the consent or knowledge of an indorser who has been duly notified of the dishonor of the note, will discharge the latter from his liability thereon; Dorlon *v.* Christie, 39 Barb. (N. Y.) 610; Wood *v.* Jefferson County Bank, 9 Cow. (N. Y.) 194; Hubly *v.* Nichols, 16 Johns. (N. Y.) 70; State Bank *v.* Wilson, 12 N. C. 484; Union Bank *v.* McClung, 9 Humphr. (Tenn.) 98.

But the proposed transaction in the present case is not an agreement by the holder with the maker but with the last indorser postponing the time of payment to future weekly periods during which the note will be paid off by instalments.

I am of opinion that such an agreement—assuming it to be binding upon the holder as an agreement not to enforce payment while weekly payments are kept up—would not release the prior indorser. In First Nat. Bank of York *v.* Diehl, 67 Atl. (Pa.) 897, the payee of a protested note of a corporation agreed with one of several indorsers thereon that if he would pay the note as soon as possible within sixty days, other notes would be extended. It was held the agreement did not release the other indorsers. The court said: "The protesting of the note fixed the status of the parties and the liability of the indorsers. * * * The holder could not, without the consent of the indorsers, enter into any agreement with the maker whereby the time of payment was extended, or any other thing permitted to be done, the effect of which would be to deprive them of any right which they had when their liability as indorsers attached by notice of nonpayment. The arrangement with Koller was that he pay as soon as possible and at most within sixty days. There is no reason why the bank should not say to him or to the other indorsers, your liability being now fixed, you must pay as soon as possible, and if you fail to pay within sixty days we will not refrain any longer from proceeding to collect. This, in legal effect, is what the bank agreed to do, and this agreement was with an indorser not the maker. It did not deprive the other indorsers of any of their legal rights, nor did it deny to them the privilege of paying at any time and then proceeding against the maker or the other indorsers. Therefore it did them no harm."

See, also, Wright *v.* Independence Nat. Bank, 32 S. E. (Va.) 459, holding that the indorser of a note is not released from liability by an agreement of the holder with a subsequent indorser to extend the time of payment.

The extract from the opinion of the Supreme Court of Pennsylvania above quoted clearly indicates the difference between an agreement by the holder with the maker and one with the indorser extending the time of payment of a protested note. The reason for the rule that an indorser is discharged by extension of time of payment to the principal debtor, namely, being thereby deprived of the right of making immediate payment and proceeding against the maker, does not apply where the extension is granted an indorser for such an agreement does not deprive the other indorsers of any such right. In the case stated, therefore, I think the agreement proposed could be made with the last indorser without discharging the prior indorser.

PAYMENT OF FORGED CHECK

In Iowa a drawee which pays to a *bona fide* holder a check upon which the drawer's signature is forged cannot recover the money, but if the holder has been negligent in acquiring the check without due inquiry, recovery is allowed—Where payment is made to a *bona fide* indorsee of a negligent holder, the latter is not liable but the drawee has recourse upon the prior indorser who is guilty of negligence.

From Iowa—Our customer A deposits with us, October 3, a check drawn on local bank and we in turn collect the same through our clearing house and settlement of the clearings is made. Thirty days afterward local bank returns the check to us and demands that we return to them the amount of the check as the check in question is a forgery. We have no arrangement in the clearing house which would justify them in doing so, but local bank claims that an indorser on the check is always liable even after they had paid and canceled the check over the forged signature. We claim that after local bank passed on the signature, paid the check and canceled the same that we are not liable as indorsers but they claim we are.

The general rule is that the drawee bank which pays to a *bona fide* holder a check upon which the drawer's signature is forged is bound by the payment and cannot recover the money. Under this rule, the local bank cannot recover the money from your bank which collected the check through the clearing house. Your bank is not liable as indorser because an indorser does not warrant to the drawee the genuineness of the drawer's signature.

The law of Iowa upon this subject was declared by the Supreme Court of your state in 1899 in First Nat. Bank *v.* Marshalltown State Bank, 107 Iowa, 327. In that case the court said: "A long line of authority sustains the proposition that, as between the drawee and a good-faith holder of a check, the drawee bank is to be deemed the place of final settlement, where all prior mistakes and forgeries shall be corrected and settled at once for all; and if overlooked and payment is made, it must be deemed final. There can be no recovery over. * * * This doctrine is founded by some courts upon the thought that the drawee bank is conclusively presumed to know the signatures of its depositors. This, however, may be too narrow a basis. It may be well that such a rule is demanded by the necessities of business in these times, when the currency of the commercial world is composed so largely of checks and drafts. Whether it is the better rule or the one most consonant with reason and justice is no longer an open question. The discussion seems to have been foreclosed by the overwhelming weight of authority. The rule, however, has one qualification, introduced by some cases, and which we feel inclined to adopt. When the holder of the check has been negligent in not making due inquiry, if the circumstances were such as to demand an inquiry when he took the check, the drawee may recover. * * * * The appellant seeks to bring its case within this exception. But the only negligence charged here is against the Bank of Union, which first cashed the check, and put it in circulation. Clearly, the negligence, if any, of that bank, cannot be imputed to the defendant. If the plaintiff had desired to take advantage of this qualification of the rule, its action, under the facts here shown, should have been against the bank which first gave currency to the paper."

According to the decision in this case the drawee bank which pays a forged check to a *bona fide* holder cannot recover the money back,, subject to the qualification that when the holder of the check has been negligent in not making due inquiry, if the circumstances were such as to demand an inquiry when he took the check, the drawee may recover. But in an action by the drawee against a *bona fide* indorsee of the check who received payment, when the only negligence charged is against a prior indorser who cashed the check for a forger, this qualification of the rule has no force. To take advantage thereof the action should be by the drawee against such prior indorser.

Applying the Iowa law to your case, the local bank drawee would have no right of recovery against your bank which was a *bona fide* indorsee of your customer; but should it appear that your customer was negligent in taking this forged check from a stranger without making due inquiry, where the circumstances were such as to demand an inquiry, there might be a right of recovery by the drawee bank against your customer. The facts connected with the original acquirement of the check by your customer are not stated and no conclusion can therefore be formed whether he would be liable to the drawee on the ground of negligence in the case stated.

EXTENSION OF DEMAND NOTE BY ADVANCE PAYMENT OF INTEREST

Where a note is executed to a bank payable on demand with interest, and at the time of execution, the maker pays three months' advance interest which the bank indorses upon the note, such transaction is *prima facie* evidence of an agreement to extend the time of payment during the period for which the interest is paid, which will prevent the bank, unless it can prove a contrary agreement, from enforcing payment before the end of the extended period—Note payable at bank can be charged to maker's account at maturity without notification or his consent and bank owning note has right of set off at maturity.

From Florida—Will you kindly give me information concerning the following: (1) Has a bank the right to demand payment on a note payable on demand on which interest has been paid to a certain future date as per the enclosed (note enclosed is dated October 31, 1917, and made payable on demand "with interest at the rate of 10 per cent. per annum after maturity until fully paid." It bears the indorsement, "interest paid to January 30, 1918." Note is made payable to and at the bank). (2) Also has a bank the right to charge a note on a like form to an individual's checking account at maturity without his consent and without notification, returning his checks previously written which came in afterward and overdrew his account?

1. In the great majority of jurisdictions it is held that payment of interest in advance is *prima facie* evidence of an agreement extending the time of payment, although the contrary rule prevails in two or three states. In most of the cases in which the majority rule is proclaimed the instrument has been a time note.

In Bank of British Columbia *v.* Jeffs, 18 Wash. 135 (affirming 15 Wash. 230), the rule was thus laid down: "Where a creditor, without inadvertence or mistake, receives a payment of interest in advance on the note of a debtor, and does not expressly reserve the right to sue before the expiration of the period for which interest is taken, there is a contract created to extend the time of payment during the period for which the interest is paid."

In Crosby *v.* Wyatt, 10 N. H. 318, a case involving a time note, the court, after stating its adherence to a rule similar in all but verbiage to the rule set forth *supra*, gave its dictum as follows with reference to a demand note: "Where the note is, by its terms, made payable on demand, and the interest in advance, for a certain period, is received at the time of making it, but not indorsed, this rule may not apply, or rather, another rule may be interposed. The maker, in such case, cannot be permitted to introduce parol evidence of an agreement for delay, made at the same time, in avoidance of an action commenced within the period for which the interest has been received; for that would be to contradict the written contract. 10 Barn. & Cres. 729, Mosely *v.* Robinson. If there was no admissible testimony to show the contract, the creditor, relying on the stipulation in the note, might maintain a suit, within the time for which the interest had been paid in advance, and of course the surety might pay within that time, and take his remedy against the principal. But any agreement, entered into subsequent to the making of the note, would not be liable to that objection. It might be proved, and would be binding. 5 N. H. Rep. 99, Grafton Bank *v.* Woodward."

But in Skelly *v.* Bristol Savings Bank, 63 Conn. 83, it was expressly held that the taking of interest on a demand note in advance is *prima facie* evidence of an agreement to forbear collecting the note during the time for which the interest is taken. The payment of interest in advance created a contract by the bank to wait until the end of the interest period before collecting the principal, and a reciprocal contract on the part of the maker of the note to keep the money for that time—in other words, to demand no rebate of interest for an earlier payment.

In the case of the demand note you submit, the three months' interest paid in advance at the time the note was executed is indorsed on the note, so that even if the dictum in the New Hampshire case of Crosby *v.* Wyatt correctly states the law, it does not apply where the advance payment is indorsed on the demand note. In your case, therefore, the rule deducible from the decisions is that the indorsement upon a demand note at the time of its execution, of interest paid in advance for a specific period, is evidence of a *prima facie* agreement to extend the time of payment to the end of that period and unless the contrary can be proved, you cannot demand payment before the end of the three months for which interest was paid in advance.

2. The note is made payable at your bank and under the Negotiable Instruments Act of Florida (Fla. Comp. Laws, 1914, sec. 3018), "where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon." Under this section, even where a note is not owned by the bank at which it is made payable, it nevertheless becomes the bank's duty, when duly presented at maturity, if the maker's funds are sufficient, to pay the note and this can be done and the note charged to the maker's account without notification to him and without his consent. Where the bank owns the note, in addition to its authority and duty under the section quoted, it also has an independent right to set off a matured note against the maker's account. It follows, therefore, that in case of the note in question your bank would have the right to charge its amount to the maker's account at maturity without his consent and without notification and return his checks previously written but afterwards presented, where there were insufficient funds left in such account to meet the checks.

CERTIFICATION OF CHECK BY WIRE

A bank can certify a check by wire and after such certification the drawer has no right to stop payment.

From Illinois—Can we safely certify a check by wire under our Negotiable Instruments Law of this state? We have refused to do so on the ground that a check did not transfer the funds of the depositor until it reached the teller's window or the bank and that the depositor could revoke the payment after we had certified it. Kindly advise us if we have taken the correct position in this matter.

A bank can certify a check by wire and the drawer thereafter has no right to stop payment of the check. The pertinent sections of the Negotiable Instruments Act of Illinois are as follows:

"§131. The acceptance of a bill is the signification by the drawee of his assent to the order of the drawer. The acceptance must be in writing and signed by the drawee. It must not express that the drawee will perform his promise by any other means than the payment of money."

"§132. The holder of a bill presenting the same for acceptance may require that the acceptance be written on the bill and, if such request is refused, may treat the bill as dishonored."

"§133. Where an acceptance is written on a paper other than the bill itself, it does not bind the acceptor except in favor of a person to whom it is shown and who, on the faith thereof, receives the bill for value."

"§186. Where a check is certified by the bank on which it is drawn the certification is equivalent to an acceptance."

It will be observed that while an acceptance, to be valid, must be in writing, there is no requirement that the acceptance must in all cases be written on the bill. There are many cases where convenience requires that the acceptance be written upon a separate paper. It is a common transaction for the prospective purchaser of a check on a distant bank to first wire the drawee and receive the latter's promise by telegraph to pay the check, before cashing the same. Where the reply wire contains an absolute promise to pay the described check, it is a sufficient writing to comply with the requirement of the statute and is binding as an acceptance or certification. See, for example, Elliott *v.* First State Bank, 152 S. W. (Tex.) 808; First Nat. Bank *v.* Muskogee Pipe Line Co., 139 Pac. (Okla.) 1136; Oil Well Supply Co. *v.* MacMurphy, 138 N. W. (Minn.) 784.

CORPORATE STOCK AS COLLATERAL

Bank holding stock as security for loan with power to transfer on back of certificate, has right to transfer stock notwithstanding death of borrower, since power to transfer being coupled with an interest is not revoked by death of the giver of the power.

From New Jersey—We hold a collateral note, for money loaned to a person now deceased and we are obliged to sell the collateral to make us whole. Amongst the collateral are shares of stock of a New Jersey corporation and also stock of a Pennsylvania trust company. The powers to transfer on back of certificates were duly executed in blank by the decedent, during his lifetime. Now the attorney, who represents both of the corporations named, is advising his clients that new powers must be executed by the administrator of estate of the deceased before the stock in question may be transferred, giving it as his opinion that the powers executed by the decedent during his lifetime, died with the deceased, and challenged us to produce any court decisions to the contrary. Can you cite us any court cases that might convince this attorney that his position, in a case like ours, is not well taken.

The general rule that the death of the principal terminates the authority of the agent is subject to the notable exception that where the agent has an interest of his own in the subject matter, the death of the principal does not revoke the agent's authority for he has an authority or power coupled with an interest and can exercise the power after the death of the principal. The general rule that a power coupled with an interest is not revocable is supported by numerous authorities. See, for example, Saltmarsh *v.* Smith, 32 Ala. 404; Anderson *v.* Goodwin, 125 Ga. 663; Durbrow *v.* Eppens, 65 N. J. Law, 10.

In the particular instance where stock is pledged as security for a loan with power of attorney to transfer, the power is coupled with an interest and is not revoked by the death of the pledgor. See, on this point, *in re* Droste's Estate, 9 Weekly Notes Cases (Pa.) 224; Dickinson *v.* Central Bank, 129 Mass. 279; Hess *v.* Rau, 95 N. Y. 359; Chapman *v.* Bates, 61 N. J. Eq. 658; Bell *v.* Mills, 123 Fed. 24.

The right of your bank to exercise the power in this case notwithstanding the death of the pledgor is also provided by the Uniform Stock Transfer Act which was enacted in Pennsylvania in 1911 and in New Jersey in 1916. That act provides:

Section 6. The indorsement of a certificate by the person appearing by the certificate to be the owner of the shares represented thereby is effectual, except as provided in Section 7, though the indorser or transferor,

(a) was induced by fraud, duress or mistake, to make the indorsement or delivery, or

(b) has revoked the delivery of the certificate, or the authority given by the indorsement or delivery of the certificate, or

(c) has died or become legally incapacitated after the indorsement, whether before or after the delivery of the certificate, or

(d) has received no consideration.

Section 7. If the indorsement or delivery of a certificate

(a) was procured by fraud or duress, or

(b) was made under such mistake as to make the indorsement or delivery inequitable; or

If the delivery of a certificate was made

(c) without authority from the owner, or

(d) after the owner's death or legal incapacity, the possession of the certificate may be reclaimed and the transfer thereof rescinded, unless:

(1) The certificate has been transferred to a purchaser for value in good faith without notice of any facts making the transfer wrongful, or,

(2) The injured person has elected to waive the injury or has been guilty of laches in endeavoring to enforce his rights.

Any court of appropriate jurisdiction may enforce specifically such right to reclaim the possession of the certificate or to rescind the transfer thereof and, pending litigation, may enjoin the further transfer of the certificate or impound it.

RIGHTS OF INNOCENT PURCHASER OF NEGOTIABLE DEMAND CERTIFICATE OF DEPOSIT

Where a bank issues a negotiable demand certificate against deposit of a check upon another bank, the fact that the deposited check is dishonored is no defense to the liability of the bank to an innocent purchaser of the certificate.

From Washington—A son of a local citizen stepped into our bank, transferred his balance from outside bank to us, taking demand certificate in return. Four days following we received long distance call, asking whether or not it would be all right for him to cash demand certificate. Sufficient time had expired to allow returns on transient items, had bank upon which he drew turned down the check. We advised our belief check would be cleared O. K. Upon this advice he cashed demand certificate. Upon hanging up the receiver after finishing long distance call, mail came to my desk informing us that account in outside bank had been legally attached on account of doctor bill he failed to pay. We immediately proceeded by way of long distance to give advice of the attachment. However, five minutes had expired before we were able to get our party and he had already got the cash in his possession, which he refused to turn back. The demand certificate came through the usual clearings and we refused payment and item was protested. The protested item was received by bank cashing same and they advised us that we should pay at once or that they would use legal proceedings. We immediately paid the item and after considerable trouble obtained settlement out of party making the deposit with us. In this case what should have been our steps? If we had refused to pay demand certificate, could this have been collected legally? Was it our place to force collection or was it the place of the bank cashing the demand certificate for the holder?

Assuming the demand certificate which you issued was in negotiable form, you were, of course, liable to pay the same to the bank which purchased it from your depositor. The fact that the certificate was issued against uncollected funds, that is to say, a check on another bank which was dishonored, because of attachment of the account, would not alter your liability to an innocent purchaser of this certificate.

The transaction simply illustrates the unwisdom of issuing a negotiable certificate against uncollected funds. You probably would hesitate before paying cash to your depositor who deposited a check upon another bank but when you issue to him, in negotiable form, a demand certificate, it is virtually the same as if you gave him the cash, for it is within his power to negotiate the certificate to an innocent purchaser who can compel you to pay it.

PROTEST OF INLAND BILL OF EXCHANGE

A check drawn in one state upon a bank in the same state does not become a foreign bill of exchange because indorsed in another state, so as to make protest necessary to preserve recourse upon parties contingently liable.

From South Dakota—According to the Negotiable Instruments Law of this state, an inland bill of exchange which is interpreted as being a check which originates and is payable to a party within the state, does not need to be protested in case of non-payment unless specific instructions are given to that effect. Is the status of the necessity of protesting this inland bill of exchange affected, if, through the course of clearing the same, it happens to go outside of the state and carries the indorsement of one or more banks outside of the state?

Due demand and notice of dishonor to hold the parties contingently liable are required in case of all negotiable instruments dishonored by non-payment but notarial protest, while permissible in case of inland bills and notes is only required where the instrument is a foreign bill of exchange.

Section 118 of the Negotiable Instruments Act (117 of the S. D. Act) provides: "Where any negotiable instrument has been dishonored it may be protested for non-acceptance or non-payment, as the case may be, but protest is not required except in the case of a foreign bill of exchange."

The definition given by the Negotiable Instruments Act (sec. 128 S. D. Act) of inland and foreign bills is as follows: "An inland bill of exchange is a bill which is, or on its face purports to be, both drawn and payable within this state. Any other bill is a foreign bill. Unless the contrary appears on the face of the bill, the holder may treat it as an inland bill."

Under this a check drawn in one state upon a bank in the same state would not, I think, be held to be a foreign bill so as to make protest necessary to hold the parties contingently liable, because of the fact that it was indorsed by the payee to an indorsee in another state, for it does not appear upon its face to be a foreign bill.

TRUST COMPANY SECTION

RALPH WILLIAM CUTLER, a former President of this Section and ex-officio Member of the Executive Committee, died November 8, 1917, at his home at Hartford, Conn.

Mr. Cutler was born in Newton, Mass., February 21, 1853, being descended from a long line of distinguished ancestors. He was educated in Boston and after leaving school went into the wholesale grocery business. In 1880, at the age of twenty-seven, he went to Hartford as treasurer of the Hartford Trust Company. In 1887 he was elected to the presidency, becoming the youngest bank president in the state at that time. His knowledge of banking was recognized in his election to the Executive Committee and later to the Presidency of the Trust Company Section of the American Bankers Association. Prior to holding this office he served on the Executive Council of the Association as well as upon several important committees.

At a meeting of the Executive Committee of the Trust Company Section of the American Bankers Association, held in New York City, November 16, 1917, the following preamble and resolutions were unanimously adopted:

"WHEREAS, The Executive Committee of the Trust Company Section of The American Bankers Association has learned with profound regret of the sudden death of Mr. Ralph W. Cutler, a former president of this Section and ex-officio member of this committee, and

"WHEREAS, The unselfish service rendered by Mr. Cutler through a period of many years to the trust companies of the country has made an indelible impression upon these institutions, therefore be it

"RESOLVED, That this committee desires to testify to its sincere respect for Mr. Cutler's sterling character as a man, and to express its deep appreciation of his ever ready loyalty and intelligent advice, guidance and aid, and be it further

"RESOLVED, That the members of this committee desire to place on record the expression of their deep sympathy with Mr. Cutler's family in the bereavement suffered by them, and also with Mr. Cutler's late business associates in the Hartford Trust Company in the loss of a valued president and friend, and be it further

"RESOLVED, That the secretary be instructed to spread these resolutions upon the minutes and transmit a copy thereof to Mr. Cutler's family and to the officers and directors of the Hartford Trust Company, Hartford, Conn."

TRUST COMPANIES URGE REGULATION OF TRUST POWERS FOR NATIONAL BANKS

The following letter, which is self-explanatory, was sent on October 29:

HON. W. P. G. HARDING, Governor,
Federal Reserve Board, Washington, D. C.

SIR: By the recent decision of the Supreme Court of the United States in the case of First National Bank of Bay City *vs.* Fellows, Attorney General, the validity of Section 11-k of the Federal Reserve Act, which empowers the Federal Reserve Board "to grant by special permit to national banks applying therefor, when not in contravention of state or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds, under such rules and regulations as said Board may prescribe," was sustained.

The controlling reason for this decision was that the powers stated were necessary to enable national banks to compete upon equal terms with state corporations possessing such powers. The argument of counsel for the Federal Reserve Board before the Supreme Court was based upon this proposition, the heading of that portion of his brief on this point being as follows:

> In order to compete successfully with corporations organized and operating under state banking laws, national banks must be given powers substantially similar to those enjoyed by such state corporations. It was therefore not an unreasonable exercise of its discretion for Congress to determine that the powers of national banks should be enlarged by the addition of those specified in section 11-k of the Federal Reserve Act.

This proposition was sustained by the Supreme Court, Chief Justice White in his opinion saying:

> The state may not by legislation create a condition as to a particular business which would bring about actual or potential competition with the business of national banks, and at the same time deny the power of Congress to meet such created condition by legislation appropriate to avoid the injury which otherwise would be suffered by the national agency. Of course, as the general subject of regulating the character of business just referred to is peculiarly within state administrative control, state regulations for the conduct of such business, if not discriminatory or so unreasonable as to justify the conclusion that they necessarily would so operate, would be controlling upon banks chartered by Congress when they came, in virtue of authority conferred upon them by Congress, to exert such particular powers, and these considerations clearly were in the legislative mind when it enacted the statute in question. This result would seem to be plain when it is observed * * * (b) that the statute subjects the right to exert the particular functions which it confers on national banks to the administrative authority of the Reserve Board, giving besides to that Board power to adopt rules regulating the exercise of the functions conferred, thus affording the means of co-ordinating the functions, when permitted to be discharged by national banks with the reasonable and non-discriminating provisions of state law regulating their exercise as to state cor-

porations—the whole to the end that harmony and the concordant exercise of the national and state power might result.

The business of administering trusts, although in a sense allied with banking, is fundamentally different and requires special knowledge and experience. Trust funds cannot be employed in the same manner as bank deposits. Investments must be made upon a different basis, and legal questions are constantly arising which require the careful consideration of persons qualified to dispose of them.

For these reasons it is becoming more and more the practice to segregate trust business under the control of persons specially qualified, and to surround its administration with safeguards not required in the business of commercial banking. In a number of states the law prohibits the exercise of both classes of powers by the same corporation. An example of this is in Michigan, where, under the Michigan laws, a bank cannot exercise trust powers, and a trust company cannot engage in a general banking business. A trust company must have a capital of $300,000 unless the city in which it is located has less than 100,000 inhabitants, in which case it must have a capital of $150,000. An amount equal to 50 per cent. of its capital, up to $200,000, must be deposited in approved securities with the state treasurer, as security for the benefit of those whose business is being transacted by the company. Reports to the state bank examiner are required, and the corporation is subject to examination by that officer.

In other states where a single corporation is authorized to exercise both classes of powers, the trust business is required to be separated from the general business of the bank, and conditions looking to the safety of trust funds are imposed which do not pertain to the business of banking. These vary somewhat in different states, the tendency being in later legislation toward imposing greater restrictions, and increasing the safeguards surrounding the administration of trusts, as, with experience, the importance of such measures becomes increasingly apparent. All of these precautions are imposed for the benefit of the public, the most important being segregation of funds, and their investment, adequate capital, examinations by an official examiner, and a deposit of securities for the protection of those interested in the trusts being administered.

Following the spirit of the decision of Chief Justice White, it is obvious that if trust powers are conferred upon national banks to enable them to compete upon equal terms with state banks and trust companies, those powers should be, as nearly as possible, exerted under conditions similar to those imposed by the state laws upon domestic corporations. Any other course would be not only manifestly unfair, but would disregard the judgment of the state authorities as to the manner in which trusts should be best administered, something "peculiarly within state administrative control."

The present regulations of the Board to a certain extent recognize the principles above stated, but are not, in our opinion, adequate to insure fair competition with state corporations upon equal terms, and so without presuming to indicate in any way whatever the character of the instructions to be issued, it is respectfully suggested by the Executive Committee of the Trust Company Section of the American Bankers Association, which can properly speak for the trust companies of the country, that in granting these powers to national banks, such restrictions should be imposed as to segregation of funds, and their investment, capital requirements, examinations, and deposits of securities with some approved depositary, such as a Federal reserve bank, as will correspond to like requirements imposed upon state banks and trust companies exercising similar powers in the state in which the national bank is located.

Respectfully submitted,

(Signed) FRANK W. BLAIR,

President.

STATE VICE-PRESIDENTS

Trust Company Section

1917-1918

These officers were either elected or re-elected at the convention of their state bankers associations or appointed by the President of the Section, and will hold office until the next convention of the Section, at which time they will present their reports.

ALABAMA—J. R. Wadsworth, president Etowah Trust and Savings Bank, Gadsden.

ARKANSAS—Charles S. McCain, secretary Bankers Trust Company, Little Rock.

CALIFORNIA—C. L. Smith, assistant cashier Anglo-California Trust Company, San Francisco.

COLORADO—J. Arthur Connell, president Colorado Title & Trust Company, Colorado Springs.

CONNECTICUT—Walter D. Daskam, treasurer Stamford Trust Company, Stamford.

DELAWARE—George H. Hall, president Milford Trust Company, Milford.

DISTRICT OF COLUMBIA—John B. Larner, president Washington Loan & Trust Company, Washington.

FLORIDA—H. G. Aird, director Guaranty Trust & Savings Bank, Jacksonville.

GEORGIA—Carl H. Lewis, assistant cashier Central Bank & Trust Corporation, Atlanta.

IDAHO—William Thomson, president Idaho Trust Company, Lewiston.

ILLINOIS—Latham T. Souther, vice-president Sangamon Loan & Trust Company, Springfield.

INDIANA—Joseph L. Andrews, president Jackson County Loan & Trust Co., Seymour.

IOWA—F. C. Fisher, vice-president Security Savings Bank, Cedar Rapids.

KANSAS—L. W. Clapp, president First Trust Company, Wichita.

LOUISIANA—W. W. Bouden, Cashier Whitney Central Trust & Savings Bank, New Orleans.

MAINE—Frank E. Smith, secretary-treasurer Augusta Trust Company, Augusta.

MARYLAND—F. G. Boyce, vice-president Mercantile Trust & Deposit Company, Baltimore.

MASSACHUSETTS—John E. White, president Worcester Bank & Trust Company, Worcester.

MICHIGAN—Ralph Stone, president Detroit Trust Company, Detroit.

MINNESOTA—James H. Skinner, president Merchants Trust & Savings Bank, St. Paul.

MISSISSIPPI—W. G. Paxton, vice-president American Bank & Trust Company, Vicksburg.

MISSOURI—R. F. McNally, vice-president Mississippi Valley Trust Company, St. Louis.

MONTANA—R. P. Reckards, president American Bank & Trust Company, Great Falls.

NEBRASKA—George W. Holmes, secretary First Trust Company, Lincoln.

NEW HAMPSHIRE—Arthur H. Hough, treasurer Peoples Trust Company, Lebanon.

NEW JERSEY—Joseph McDermott, president Freehold Trust Company, Freehold.

NEW MEXICO—J. W. Harris, president Peoples Bank & Trust Company, Las Vegas.

NEW YORK—William I. Taber, president Citizens Trust Company, Utica.

NORTH CAROLINA—C. E. Taylor, Jr., president Wilmington Savings & Trust Company, Wilmington.

NORTH DAKOTA—T. Melvin Lee, secretary Middle West Trust Company, Valley City.

OHIO—Howard I. Shepherd, vice-president Ohio Savings & Trust Company, Toledo.

OREGON—E. A. Wyld, vice-president Security Savings & Trust Company, Portland.

PENNSYLVANIA—Arthur V. Morton, vice-president Pennsylvania Company for Insurances on Lives & Granting Annuities, Philadelphia.

RHODE ISLAND—Henry L. Slader, vice-president Rhode Island Hospital Trust Company, Providence.

SOUTH CAROLINA—S. T. Carter, president The Commercial Bank, Columbia.

SOUTH DAKOTA—D. H. Lightner, vice-president Citizens Trust & Savings Bank, Aberdeen.

TENNESSEE—E. L. Rice, vice-president Bank of Commerce & Trust Company, Memphis.

TEXAS—Tom F. Rodgers, president Denison Bank & Trust Company, Denison.

UTAH—Charles S. Burton, president Farmers & Stockgrowers Bank, Salt Lake City.

VERMONT—F. G. Howland, president Barre Savings Bank & Trust Company, Barre.

VIRGINIA—Walker Scott, vice-president Virginia Trust Company, Richmond.

WASHINGTON—G. F. Clark, vice-president Dexter Horton Trust & Savings Bank, Seattle.

WEST VIRGINIA—H. P. Brightwell, cashier Union Trust Company, Charleston.

WISCONSIN—Andrew L. Kreutzer, president Wisconsin Valley Trust Company, Wausau.

The 1917 edition of "Trust Companies of the United States" has been distributed by the United States Mortgage and Trust Company, New York.

In the "Explanation" regarding information contained in the book it is stated, "The Lists of Companies properly appearing in this volume from year to year are compiled from data secured through the most authoritative sources available, preferably the various state banking departments. On the following pages will be found:

"1. Companies with the word 'Trust' in their titles actively engaged in business in the United States and territories coming under the jurisdiction of the state banking commissioner, auditor, etc., and doing either a trust or banking business or both.

"2. Those banks, banking associations or institutions acting in a fiduciary capacity without the word 'Trust' in their titles but supervised as above stated and commonly classed as trust companies by the state banking authorities."

In order to present a complete list of all companies which might be considered as within the scope of the volume, those companies engaged in a strictly savings, real estate, or insurance business, together with some few branches having titles different from the parent company are only included in the index.

The volume contains, as does previous editions, statement of assets and liabilities of trust companies of the United States, together with other information as to date established, stock quotations, dividend rates, New York correspondents and list of officers and directors.

Another valuable feature of the book is found in the digest of state regulations. Under each heading the laws of the various states covering these institutions are condensed and explained. Through a carefully prepared "key" indication is made as to whether the reporting company is a member of the Federal reserve system, member of the American Bankers Association, and whether it transacts a safe deposit business as well as maintains a savings department.

The increase in resources during the twelve-months' period, from June 30, 1916, to June 30, 1917, is noted in the preface to the book, as follows:

"With the 1917 edition of 'Trust Companies of the United States,' this publication reaches its fifteenth issue, and in the period covered, trust companies have achieved notable gains in strength and influence.

"The figures for the year ending June 30, 1917, show total resources to be nearly $9,000,000,000, an increase of more than $1,300,000,000, or 17 per cent. over last year. For the five-year period trust company resources have increased nearly $3,500,000,000, or upwards of 63 per cent.

"The yearly summing up, therefore, affords cause for the utmost satisfaction on the part of the trust companies of the country and the rapidly increasing clientele served by them."

The first meeting of the Trust Company Forum of New York Chapter, American Institute of Banking, was held on November 15. Various chapters of the Institute, notably Philadelphia and Boston, have given particular attention to papers and discussions on trust company subjects. The announcement of the meeting in New York Chapter contained the following statement: "The formation of a Trust Company Forum by New York Chapter, A. I. B., is the result of an urgent request upon the part of members of the chapter who are connected with trust companies.

"The rapid growth of these companies, and the place they now occupy in the life and progress of the individual, corporation, city and nation, demands men of unquestioned character, thorough training, and a broad knowledge of financial subjects.

"It is an advanced viewpoint that many New York Chapter men have desired and which it is planned to furnish through the new Trust Company Forum.

"The Trust Company Section of the A. B. A. has given its hearty support to the inauguration of this Forum, and will be active in its work."

The speakers were: Frank W. Blair, president Trust Company Section, and president Union Trust Co., Detroit, Mich.; Edwin Gibbs, assistant secretary Farmers Loan and Trust Company, New York; George E. Allen, Educational Director of the Institute.

The questionnaire as outlined in the October issue of the JOURNAL has been forwarded to members of the section and it is hoped that all trust companies will co-operate in furnishing the information requested, in order that the section may render a larger service to all members along the lines indicated. A special note in reference to the Remsen charts on "Testing Wills Before Death" accompanied the questionnaire, and members interested in this series are urged to forward their requests on blank provided at the earliest possible date.

There has been a most gratifying response to the communication sent to members by the Special Committee

(*Continued on page* 474)

SAVINGS BANK SECTION

OFFICERS OF THE SAVINGS BANK SECTION

PRESIDENT
JOSEPH R. NOEL, President Noel State Bank, Chicago, Ill.

FIRST VICE-PRESIDENT
VICTOR A. LERSNER, Comptroller Williamsburgh Savings Bank, Brooklyn, N. Y.

SECRETARY
MILTON W. HARRISON
Five Nassau Street, New York City.

SAVINGS BANK PREPAREDNESS

Changing conditions as an incident of world war permit reflection on the character of the strain experienced by savings institutions. Obviously the savings bank will benefit from the campaigns of economy conducted by government agency. Nevertheless, when analysis is made of the effect of money rates, of depreciation in the value of securities and of withdrawal of deposits to pay for Liberty Bonds, on the general savings bank situation, the tendency may be toward pessimism. This is perhaps natural, but when conclusions are drawn, there is no justification for pessimism.

For over one hundred years the savings institution has grown and prospered upon the basis of the principles of safety and soundness of the securities in which the funds are invested. This same condition undoubtedly prevails today. The savings banks were never in a better condition to withstand the strain of marshal strife. They have admirably conducted their affairs since the declaration of war, and have actually been of tremendous value to the government in the flotation of two great Liberty Loans. Most of the mutual savings banks have maintained more than adequate cash reserve to care for all possible emergencies. Apparently the strain has not made any marked disturbance, nor has it in any way resulted in a cessation of new deposits, although in some cases the drafts were heavy.

There are 622 mutual savings banks in the United States, with approximately $4,300,000,000 of resources; 418 of this number are in Connecticut, Massachusetts and New York. Of this number, 294 are members of the American Bankers Association. A questionnaire was recently mailed to members in these three states, and 230 replies were received. It is interesting to note the statistics concerning the activities of these banks in the second Liberty Loan.

Forty-five out of fifty-seven banks in Connecticut reported a total subscription of $7,271,300. Of this total subscription, $3,759,200 was for banks' account, $3,512,100 was for subscribers' account. The forty-five banks had 29,875 subscribers; 9,207 of whom paid in full; 16,722 subscribed on partial payment; 2,371 on the government plan; 1,575 on other plans. Forty-three banks experienced a decrease in their deposits and two experienced an increase.

Ninety-five out of 127 member banks in Massachusetts reported a total subscription of $16,380,500. Of this total subscription, $8,625,750 was for banks' account, $7,754,750 was for subscribers' account. The total number of subscribers amounted to 72,233; 17,909 paid in full; 41,441 subscribed on the partial payment plan; 4,723 on the government plan; 5,160 on other plans. Eighty-six banks experienced a decrease in their deposits and eight an increase.

Ninety out of 110 member banks in New York state subscribed a total of $40,808,925. Of this amount $24,748,100 was for banks' account, $16,060,825 was for subscribers' account. The total number of subscribers amounted to 165,995: 39,422 paid in full; 90,467 subscribed on the partial payment plan; 1,539 on the government plan; 34,567 subscribers on other plans. Eighty-one banks experienced a decrease in their deposits and nine an increase.

Forty-four banks out of fifty-two in New York city subscribed a total of $21,033,650. Of this amount $11,665,850 was for banks' account, $9,367,800 was for subscribers' account. There were 102,419 individuals who subscribed through these banks, of which number 27,574 paid in full; 71,048 subscribed on the partial payment plan; 514 on the government plan; 3,283 on other plans. Thirty-nine banks experienced a decrease in their deposits and five an increase.

Two hundred and thirty out of 294 member banks in the three states subscribed a total of $64,460,725. Of this amount $37,133,050 was for account of the banks, $27,327,675 was for account of subscribers. There was a total number of 268,103 subscribers, of which 66,538 paid in full; 151,630 subscribed on the partial payment plan; 8,633 on the government plan; 41,302 on other plans. Two hundred and ten banks experienced a decrease in their deposits and nineteen an increase in their deposits.

The patriotism manifested by the savings banks in practically turning over the banks' business to the government in the flotation of the loan is most gratifying. One bank in Washington, D. C., was open until after nine o'clock every night during the campaign. The officers and clerks in a Baltimore bank worked until after one o'clock at night most every day. They were particularly well fitted to handle this government business, to get in close touch with the great mass of the people that other agencies do not come in contact with. It seemed as if the savings banks were in a state of preparedness to adequately handle the business of the loan, and they deserve the highest commendation for such service.

Fundamentally, the savings bank is an investment institution. Its cash reserve need not be necessarily high. So long as its borrowing capacity is sufficient, depositors' demands will be properly supplied. There is no fear of its funds not being safeguarded; with proper state supervision, with the stabilizing influence of the Federal reserve system, with the entire co-operation of the commercial banks, there is no cause for apprehension.

From information received from 225 savings banks in Connecticut, Massachusetts and New York, which have $2,045,000,000 on deposit and $175,000,000 surplus, they had cash on hand and in banks of 5.4 per cent.; about

3 per cent. to 4 per cent. short maturities other than railroad and municipal bonds; 5.07 per cent. of total assets in railroad and municipal bonds maturing in five years; 5.1 per cent. in railroad and municipal bonds maturing in from five to ten years; approximately 4 per cent. income per annum and 4 per cent. real estate loans maturing each year; thus providing the banks with available cash to meet the demands of depositors. Surely this is adequate to meet all needs.

When a study is made of the present situation as it affects this class of banking institution, one cannot help but take an optimistic attitude. There is no doubt that the people will save more than they ever have before. The great war savings campaign which is about to be launched, under the leadership of Frank A. Vanderlip, will induce every person in America to save and conserve. With the Food Administration active in promoting economy on the part of the people, the people must find some agency for depositing the cash results of such economies. There is no doubt that the savings banker should take a vital interest in these economy campaigns, for they primarily benefit him and his business. Every savings bank in America should urge its depositors and every person with whom it comes in contact to systematically purchase War Savings Certificates, for the more energetic they are in this respect the greater will be the return to them.

The savings banks that did the most service in the last Liberty Loan secured the greatest benefit, and the same thing will obtain in the forthcoming war savings campaign. The funds that the people will save which are desired in emergencies will not be used to purchase War Savings Certificates, but inevitably will be placed in the savings bank. It was the policy of the war savings campaign in Great Britain to discourage people from purchasing War Savings Certificates that they intended to redeem in emergencies; the people were encouraged to purchase these certificates upon the basis of an investment for five years. The savings institutions of Great Britain increased their savings deposits to an aggregate amount of $80,000,000 a year. How much greater it will be in this country where the same principle will undoubtedly be urged!

For over one hundred years the savings banks have encouraged thrift, and now the opportunity is presented for them to help crystallize their own teachings in a great national effort to make the American public savers rather than spenders.

BURDENSOME RESTRICTIONS

From an address of E. L. ROBINSON, vice-president Eutaw Savings Bank of Baltimore, Maryland, delivered before the Connecticut Savings Banks Association December 7, 1917.

In referring to the comparison of restrictions on investments of savings banks in Connecticut and in Maryland, Mr. Robinson stated:

"There is one great advantage enjoyed by Maryland which is denied to Connecticut; we are happily free from nearly all the burdensome restrictions imposed upon savings banks in the north and east, both in the investment of funds and in the details of operation.

"That country is best governed which is least governed, and so with savings banks in my judgment; there is no feature of our freedom which gives us greater satisfaction than the right to receive from our depositors whatever amount our judgment may approve. The fact that our average deposit is lower than yours indicates that our banks are not abusing their liberty of action.

"Col. Charles E. Sprague, of the Union Dime Savings Bank of New York, used to illustrate his view of this question by saying that if by dint of long application to his daily toil and years of self denial, a shoemaker were able to accumulate $3,000, he still remained a shoemaker, and had not acquired through the process of long accumulation the sagacity of an investor; he still needed and would always need the protection of the well managed savings bank. I maintain that it is an injustice to force such a depositor, after accumulating the limit permitted by law, to start an account in another bank whose management he knows nothing about and naturally distrusts, or to still further harass him by compelling him to enter the precarious field of investment. A business man recently came to us with a deposit of $2,000 to add to his old balance of about $3,000. We sought his reasons and learned that he was an expert in judging the value of precious stones, but that he had no capacity for selecting investments; he told us that he felt justified in asking us to stand between him and the investment banker. Now I believe that the average investment banker is a high-minded and conscientious individual and a very valuable factor in business life, but his judgment oftentimes needs checking up. To compel our depositors to rely upon the insecurity of immature and sometimes selfish counsels is often a grave injustice.

"I am not unmindful of the reasonableness of some of the arguments in rebuttal of this opinion, but according to my point of view, the weight of evidence supports the contention that our banks should be free to exercise their judgment and to consider each case upon its merits."

CLEARING HOUSE SECTION

MONTHLY CLEARINGS

Every Bank Should Have a Key

The Universal Numerical System has been the means of saving many thousands of dollars for the banks of America. The transit numbers assigned under this system can be used to advantage in the bookkeeping, transit and various other departments of the bank. Their use shortens the work and makes a more concise and better-looking record.

The key to the system is a cloth-covered book containing an explanation of the system and its use, and two lists of the banking institutions in America that do a general banking business. The first list is arranged in alphabetical order with reference to towns, states and banks. The second list shows the banks under the headings of the states and towns, and in the order of the numbers that are assigned. In both lists the numbers are given in connection with the banks, so that if you have the number of any bank you can readily ascertain its name, or if you have the name of the bank you can readily ascertain its number by reference to these lists.

The cost of the book is $1.50. It may be secured from the Secretary of the Clearing House Section or from the publishers, Rand, McNally & Co., Chicago.

New Members

The Eugene Clearing House Association of Eugene, Ore., has joined the Clearing House Section. This brings the total membership up to 217. There are sixteen clearing houses that are not members of the section.

There never was a time in the history of this nation when there was greater need for co-operation among banks. The clearing house has proved to be the most effective means through which banks may co-operate locally, and the Clearing House Section affords a splendid channel through which the different localities can co-operate upon matters of common interest to the banks and to the business public.

There is practically no expense involved in the formation of a clearing house association. Such an organization should be formed in every community wherein there is located three or more banks. The Secretary of the Clearing House Section will be glad to furnish full information as to how to organize upon receipt of inquiry. Shall also be pleased to receive suggestions that will aid in bringing about the organization of clearing houses or in extending the usefulness of those already organized.

Form for State and National Banks

The Clearing House Section has a limited supply of a morocco-bound book containing a treatise on bank accounting and 300 suggested forms for the use of state and national banks. Your order will be filled immediately upon receipt by the Secretary of the Clearing House Section. The price is $5.

Liberty Bond Contest

Announcement will be made through the various chapters of the American Institute of Banking, as soon as the details are worked out, regarding the offer of the Clearing House Section of a $50 4 per cent. Liberty bond, to be given to the bank man who prepares and turns over to the Clearing House Section the best plan for analyzing accounts of individuals, firms, corporations and other bank customers; also for analyzing the general business of the bank itself. This tentative announcement will give those who are interested an opportunity to study this question.

DELAY IN MAILS BECOMING SERIOUS

Owing to recent changes made by the Post-Office Department, a number of railway post-office cars, in which mail was assorted in transit, ready for immediate distribution to carriers upon arrival at destination, have been taken off. The necessity for assorting after arrival at general post-offices delays materially final delivery. The rules recently adopted by the Post-Office Department relative to loading and unloading parcel post matter is seriously hampering the movement of the mails. In the face of these conditions the Post Master General has applied to the Interstate Commerce Commission for authority to increase the maximum weight of parcel post packages. He proposes that the weight be increased as follows:

Within the first and second zones—now 50, increase to 70 lbs.

Within the third zone—now 20, increase to 70 lbs.

Within the fourth to the eighth zones—now 20, increase to 50 lbs.

With a reduction in the number of post-office cars in operation, these increases would doubtless increase the tonnage to a degree that would tremendously impair the handling of the first-class mails, and would hamper business of all kinds. A great number of banks find that the volume of their outstanding items has increased at an astounding rate. This, it seems, is largely due to the delay in the mails.

Prompt mail service is vital to the commerce, industry and banking interests of the country. If you cripple the mail service it will be reflected in our credit system.

Please communicate to the secretary of the section your experience and views upon this subject. It is a matter that concerns every banker.

SHIPMENTS OF FEDERAL RESERVE NOTES

The New York Federal Reserve Bank announces in a recent circular on currency shipments that it keeps on hand a supply of Federal reserve notes in denominations of $5, $10, $20, $50 and $100 which it will ship to member banks on request in such denominations as are required, and will charge to the member bank's account the face amount, plus the cost of shipment.

It will accept for credit of member bank's account or for exchange for Federal reserve notes, shipments of gold, gold certificates, silver certificates and legal tender notes, made either by express or registered mail. Transportation charges on gold or gold certificates, whether fit or unfit for circulation, are paid by the New York bank, and Federal reserve notes are also furnished, free of expense, in exchange. Up to the close of business, November 20, they received gold coin at its face value; but henceforth all gold coin received will be credited less the allowance by which the abrasion exceeds the legal limit of tolerance.

The notes ordered by the member banks will be shipped by express or registered mail, according to which is cheaper. Usually it costs less to ship notes of $5 denomination by express than by registered mail; while for notes of higher denominations, registered mail is usually cheaper.

TRUST COMPANY NOTES

(*Continued from page* 470)

on Publicity. A large number of pieces of advertising matter have been received and it is hoped that all companies which have not already co-operated in this important work will forward at once their "tested" advertisements, booklets and form letters to James M. Pratt, chairman of the committee, at 5 Nassau Street, New York.

As a result of the message issued by President Wilson on October 15, the Trust Company Section of the Pennsylvania Bankers Association on October 31 addressed its members as follows:

The President of the United States, in a recent message, called for the strengthening of the gold reserve of the Federal reserve banks in the present war crisis and emphasized that for the good of the country, every dollar of gold should be in the vaults of the Federal reserve banks.

It is the opinion of the executive committee of the Trust Company Section, Pennsylvania Bankers Association, that each and every trust company, as a patriotic duty, should transfer at once to the Federal reserve bank in the district in which such trust company is located, all gold and gold notes which it has in its till and receive in lieu thereof from such Federal reserve bank Federal reserve notes, which are now legal reserve for trust companies. Such action should be taken by every trust company, whether a member of the Federal reserve system or not.

We feel that in so doing every trust company can be doing, to some extent, its "bit," and while the amount of gold or gold notes held by each company may not be large, in the aggregate, the sum, we feel sure, will be very great and, therefore, the result obtained will be of considerable benefit in helping to mobilize all the gold reserves of the United States.

Your executive committee, therefore, would urge that each trust company which has not already transferred its gold and gold notes, should at once take such action; and that from time to time hereafter, as any gold or gold notes may accumulate, such should be deposited immediately with the proper Federal reserve bank.

On November 20 about fifteen railroads petitioned the Interstate Commerce Commission for a readjustment of through passenger fares from St. Louis to points in approximately thirty states, Mexico and Central America.

The War Industries Board has as its new chairman Daniel Willard, president of the Baltimore and Ohio Railroad. Mr. Willard succeeds Frank A. Scott, who recently resigned because of ill health. The War Industries Board controls all purchases for the American armies and a large percentage of those for the navy. One of its functions is to decide questions of priority of war purchases as between this nation and the Allies.

The American Can Company has completed plans for the erection of a $1,000,000 can factory at Los Angeles. This will be the largest plant of its kind in the world and will have a daily capacity of 3,000,000 cans. A warehouse with storage capacity of 74,000,000 cans is included in the plans. Track space sufficient to hold sixty-one long freight cars, as well as a spur track which permits any car to be moved without interfering with more than ten cars, is provided for by additional property obtained. It is expected that the sardine industry will be given new impetus by this enterprise, since a readily obtainable supply of cans has been needed to make the business a complete success.

NATIONAL BANK SECTION

OFFICERS OF THE NATIONAL BANK SECTION

IS YOUR MACHINERY READY?

The following letter was written by an institution that is trying to make wide use of the trade acceptance:

"During 1917 we have made a determined effort to support the Federal Reserve Board, American Bankers Association and the National Association of Credit Men in an effort to bring trade acceptances into more general use.

"Our plan has been to induce our clients to obtain from their customers trade acceptances wherever possible and we have given them all assistance and facilities in this direction. When these acceptances have been obtained, we have given our clients the privilege of disposing of them and using the proceeds to reduce their loans with us by taking up a corresponding amount of collateral. In this way we have assisted the general credit situation by financing our clients from the time they made the sale until they were able to obtain trade acceptances from their customers in turn.

"Although it has been somewhat against our own pocketbook, we are very anxious, however, to do all we can at this time and have done so. We have encountered considerable difficulty among the banks, most of whom are very reluctant to take these small acceptances which run from $500 and less and which are scattered from Maine to California and Canada to Texas. There is, no doubt, a considerable amount of detail work involved in keeping track of all the various maturities and places of payment, also to some extent it is necessary to investigate the credit situation, but it does seem to us as though the banks (particularly the larger banks who have well-organized collection departments) should have no difficulty whatever in handling these details. It is a matter of regret to us to have to report to you that we have found more willingness on the part of the smaller banks to take these acceptances of small size than we have with the large banks.

"In discounting them, customers find that the banks want to play safe, and will usually make a proposition to charge 25 cents collection charges on each item and in addition thereto, want to charge from five to seven days' interest in lieu of exchange.

"In some instances banks have declined the acceptances altogether, for the reason that the individual items were too small to bother with. Therefore, it would seem that this particular matter is a fertile subject for the American Bankers Association and the American Trade Acceptance Council to discuss, for if we are to work up the trade acceptance business, the bulk of them will arise from every-day transactions, and it is obvious that the acceptances will not be for $10,000 to $20,000 each, as is the case with bank acceptances. In other words, the success or otherwise of the acceptance business must rest with the willingness of the small merchants to give these acceptances and the co-operation of manufacturers, jobbers, etc., in a united effort to obtain them.

"If the man who is trying to obtain trade acceptances from patriotic motives and endeavoring to co-operate with the various agencies that are advocating acceptances, meets with the obstacles I have mentioned, he does not feel encouraged to continue, and as likely as not he will receive an unfavorable impression of the whole acceptance business.

"Surely the banks have enough foresight to perceive that the trade acceptance is coming as surely as sunlight tomorrow, and they should so arrange their facilities that the details can be handled.

"Please do not construe these remarks as a personal grievance, for we have found ways and means to overcome the difficulty so far as our own clients are concerned, but as we are anxious to see the acceptances in general use, we recite these experiences in the hope that you may be able to do something toward the desired end."

The trade acceptance has come to stay. Its use will benefit the buyer, the seller and the consumer. It will add stability and soundness to the credit system. It will prevent over-buying to a large degree. It will make collections more certain and less complicated. It will strengthen the banking position and improve the whole commercial and financial fabric of the nation. Trade acceptances are given a preferential rate at the Federal reserve banks. They are not subjected to the usual loan limitations and serve as a basis for currency issue. It would, therefore, seem that it is to the interest of every banker to encourage the use of trade acceptances—

First—By making a thorough study of what they are—why and how they should be used;

Second—By providing the necessary machinery with which to handle them on a prompt, efficient and economical basis;

Third—By establishing a uniform, fair and equitable schedule of service charges for the collection of such items; and

Fourth—By aiding in the establishment of a comprehensive open discount market.

The National Bank Section will appreciate any suggestions that will aid in the movement to encourage the use of trade acceptances, the development of the proper machinery for handling them within the banks, arriving at a fair and equitable service charge for their collection, and the upbuilding of a satisfactory market. You are invited to communicate your views frankly and fully to the Secretary of the National Bank Section. Include in your letter full details of all objections to the use of the trade acceptance that have come to your attention, also advise of any obstacles that stand in the way of the use of the acceptance, particularly in your community.

DRAFT THE HOARDED DOLLARS—MAKE THEM SERVE

Vast sums of money are stored away in safe deposit boxes, old trunks, tin cans and other hiding places. You have no regard for the man who is physically and mentally fit, yet declines to come forward and give his services to his country at this hour when the nation's future is at stake. He is a slacker and should be banished from our midst. What of the man or woman who hoards his or her wealth? Their dollars when hid away may keep men who have volunteered to give their lives in defense of human liberty and freedom, from rendering effective service at the front; while if brought out and put into active service, those dollars may be the means of protecting American lives and equipping American soldiers so that they can fight with a degree of efficiency heretofore unknown.

Hidden dollars are slackers. Their owners do not measure up to the full standard of American citizenship. Are the banks at fault? No country on the face of the globe offers to its people better banking facilities than are offered by the national, state, savings banks and trust companies of America. In addition there are the postal savings banks for those who are not sufficiently educated or trained to give them confidence in the privately owned institutions. The banks are at fault to the extent that they fail to get in touch with the people and give them a proper understanding as to functions of banks and the value of a bank account to the depositor. In some instances bad judgment and dishonesty have caused failures. These failures have shaken the confidence of certain classes of people. Many remedies have been offered, special laws have been passed, penalties have been fixed, arrangements for the guarantee or insurance of deposits have been made; but none of these are so effective as are rigid examinations and proper supervision by the state, national and clearing house authorities. All these forces working together have brought about a tremendous improvement in the condition of banks during recent years. This is clearly indicated by a statement recently made by the Comptroller of the Currency. The statement shows that the average loss to depositors because of failed national banks for the period of thirty-three years prior to 1914 was 28 thousandths of 1 per cent., while the average loss to depositors because of failed national banks for the period of three years ending June 30, 1917, was only three one-thousandths of 1 per cent. No depositor has lost a single dollar during the past ten years because of the failure of any bank under clearing house supervision.

The banks have grown by leaps and bounds. The national banks alone have total resources of more than sixteen billions of dollars. With the tremendous increase of deposits, new and vexatious problems have arisen. Bankers have foregone profit for the sake of safety and for the good of the nation. Because of this and the great strength and protection arising from the Federal reserve system, America has won an enviable position in the world as a financial power. Shall we stop there? Not by any means. If we are to win the war and make the best of our opportunities, the entire banking resources of this nation must be mobilized. More than 150 of the leading state banks and trust companies realizing that fact, have already joined the Federal reserve system. It is hoped that every eligible bank and trust company will follow their lead.

What about the hoarded dollars? The government needs them—the banks should go after them. If these slacker dollars that inhabit lock boxes, trunks, tin cans and other hiding places are not forced out and put into active service before December 3, 1917, they should be routed out on that day, chased into the nearest bank, trust company or post-office, and there exchanged for War Savings Certificate Stamps, which are the best investment ever offered to a people. These little government obligations mature in five years—bear 4 per cent. interest compounded quarterly, and may be cashed before maturity, if ten days' notice be given. If cashed before maturity, simple interest at the rate of 3 per cent. is allowed.

Why should banks aid in their sale? Because of patriotism, self protection and the upbuilding of the future welfare of the nation. Thirty million new savers means many million new bank depositors—means added financial strength and protection from withdrawals of accumulated savings. These are things of vital concern to every banker.

The National Bank Section is enlisted for the period of the war. It has pledged its aid to the government. Its members have responded patriotically and effectively to every call. They can and will be of great assistance to the National War Savings Committee in its campaign to encourage saving, eliminate waste and stimulate production.

Trade Acceptance Record Forms

The National Bank Section has been requested to work out a simple and effective system for the handling of trade acceptances by banks. A special committee will be appointed to handle this subject.

In order that this committee may have available the best that has been developed upon this subject, it is desired that bankers who have evolved satisfactory plans for the handling of acceptances in their respective institutions send copies of the forms of records they use, together with any suggestions that may be helpful to the Secretary of the National Bank Section.

STATE BANK SECTION

OFFICERS OF THE STATE BANK SECTION

PRESIDENT
E. D. HUXFORD, President Cherokee State Bank, Cherokee, Iowa.

FIRST VICE-PRESIDENT
C. B. HAZLEWOOD, Vice-President Union Trust Company, Chicago, Ill.

CHAIRMAN EXECUTIVE COMMITTEE
J. W. BUTLER, President First Guaranty State Bank, Clifton, Texas

SECRETARY
GEORGE E. ALLEN, Five Nassau Street, New York City.

SECTION COMMITTEES AND STATE VICE-PRESIDENTS

President E. D. Huxford of the State Bank Section of the American Bankers Association has announced the appointment of Section Committees as follows:

STATE LEGISLATIVE COMMITTEE.—E. C. McDougal (Chairman), president Bank of Buffalo, Buffalo, N. Y.; H. A. Moehlenpah, president Citizens Bank, Clinton, Wis.; J. R. Cain, Jr., vice-president State Bank of Omaha, Neb.; R. E. Moore, vice-president Valley Bank, Phœnix, Ariz.; Fred Collins, cashier Milan Banking Company, Milan, Tenn.; Robert H. Bean, treasurer Casco Mercantile Trust Company, Portland, Me.

FEDERAL LEGISLATIVE COMMITTEE.—John H. Puelicher (Chairman), vice-president Marshall & Ilsley Bank, Milwaukee, Wis.; Walter E. Frew, president Corn Exchange Bank, New York City, N. Y.; C. C. K. Scoville, president Citizens State Bank, Seneca, Kan.; John W. Staley, vice-president Peoples State Bank, Detroit, Mich.; D. M. Armstrong, vice-president Commercial Trust & Savings Bank, Memphis, Tenn.; Geo. W. Rogers, vice-president Bank of Commerce, Little Rock, Ark.

MEMBERSHIP COMMITTEE.— C. B. Hazlewood (Chairman), vice-president Union Trust Co., Chicago, Ill.; Fred W. Ellsworth, secretary Guaranty Trust Company, New York City, N. Y.; J. Lucas Williams, vice-president Bank of Italy, San Francisco, Cal.

GENERAL SERVICE COMMITTEE.—D. M. Armstrong (Chairman), vice-president Commercial Trust & Savings Bank, Memphis, Tenn.; R. H. Packard, assistant to the president Union Bank, Jackson, Mich.; C. R. Evans, cashier German American Bank, Baltimore, Md.; W. A. Hunt, cashier Citizens Bank, Henderson, N. C.; W. J. D. McCarter, assistant cashier St. Louis Union Bank, St. Louis, Mo.; C. N. Prouty, cashier Exchange State Bank, Kansas City, Kan.

SIMPLIFIED REPORTS COMMITTEE.—R. S. Hecht (Chairman), vice-president Hibernia Bank & Trust Company, New Orleans, La.; Kelsey S. Chase, president Peoples Bank of St. Paul, St. Paul, Minn.; Grant McPherrin, vice-president Central State Bank, Des Moines, Iowa.

STATE VICE-PRESIDENTS

Following is a list of State Vice-Presidents of the State Bank Section:

ALABAMA—G. A. Michael, cashier Merchants Bank, Mobile.

ALASKA—A. A. Benton, vice-president Bank of Alaska, Skagway.

ARIZONA—R. E. Moore, vice-president and cashier Valley Bank, Phœnix.

ARKANSAS—Thos. C. McRae, Jr., cashier Bank of Prescott, Prescott.

CALIFORNIA—J. Lucas Williams, vice-president Bank of Italy, San Francisco.

COLORADO—F. J. Denison, president Drovers State Bank, Denver.

CONNECTICUT—Wm. B. Davidson, cashier United States Bank, Hartford.

DELAWARE—Hiram R. Burton, vice-president Fidelity Trust & Savings Bank, Lewes.

FLORIDA—Geo. E. Nolan, cashier Orlando Bank & Trust Company, Orlando.

GEORGIA—C. J. Hood, cashier Northeastern Banking Company, Commerce.

HAWAII—C. H. Cooke, president Bank of Hawaii, Honolulu.

IDAHO—E. H. Plowhead, cashier Caldwell Commercial Bank, Caldwell.

ILLINOIS—Chas. C. Wolaver, cashier Dundee State Bank, Dundee.

INDIANA—Hugo C. Rothert, president Huntingburg Bank, Huntingburg.

IOWA—L. A. Andrew, president Citizens Savings Bank, Ottumwa.

KANSAS—F. H. Quincy, president Planters State Bank, Salina.

KENTUCKY—S. French Hoge, president Capital Trust Company, Frankfort.

LOUISIANA—F. Dietze, Jr., cashier Canal Bank & Trust Company, New Orleans.

MAINE—Robert H. Bean, treasurer Casco Mercantile Trust Company, Portland.

MARYLAND—L. E. Williams, president Farmers & Merchants Bank, Salisbury.

MASSACHUSETTS—F. C. Nichols, treasurer Fitchburg Savings Bank, Fitchburg.

MICHIGAN—John W. Staley, vice-president Peoples State Bank, Detroit.

MINNESOTA—J. J. Ponsford, president State Bank of Watertown, Watertown.

MISSISSIPPI—F. E. Gunter, vice-president Merchants Bank & Trust Co., Jackson.

MISSOURI—W. B. Sanford, president Holland Banking Co., Springfield.

MONTANA—N. L. Nelson, cashier State Bank of Plentywood, Plentywood.

NEBRASKA—M. W. Folsom, president Nebraska State Bank, Lincoln.

NEVADA—C. W. Foote, cashier Churchill County Bank, Fallon.

NEW HAMPSHIRE—Wm. D. Swart, president Nashua Trust Company, Nashua.

NEW JERSEY—Robert W. Howell, cashier Trenton Banking Company, Trenton.

NEW MEXICO—H. J. Hammond, president Union County Trust & Savings Association, Clayton.

NEW YORK—E. J. Newell, vice-president Peoples Bank, Buffalo.

NORTH CAROLINA—O. W. Lane, cashier Newbern Banking & Trust Company, Newbern.

NORTH DAKOTA—P. A. Pickett, cashier Bank of Leal, Leal.

OHIO—S. B. Rankin, president Bank of South Charleston, South Charleston.

OKLAHOMA—F. J. Wikoff, president Tradesmens State Bank, Oklahoma City.

OREGON—C. W. Irvine, president Farmers State Bank, Independence.

PENNSYLVANIA—A. M. Johnston, cashier Freeport Bank, Freeport.

PHILIPPINE ISLANDS—John S. Hord, president Bank of the Philippine Islands, Manila.

PORTO RICO—B. O. Clark, assistant cashier American Colonial Bank, San Juan.

RHODE ISLAND—Geo. W. Gardiner, vice-president Union Trust Company, Providence.

SOUTH CAROLINA—H. M. Dibble, president Bank of Western Carolina, Aiken.

SOUTH DAKOTA—A. Kopperud, vice-president Security Bank, Webster.

TENNESSEE—Fred Collins, cashier Milan Banking Company, Milan.

TEXAS—B. F. Berkeley, president Alpine State Bank, Alpine.

UTAH—Carl R. Marcusen, cashier Price Commercial & Savings Bank, Price.

VERMONT—C. S. Webster, Treasurer Barton Savings Bank & Trust Co., Barton.

VIRGINIA—W. S. Irby, cashier Bank of Lunenburg, Kenbridge.

WASHINGTON—Frank Carpenter, president Cle Elum State Bank, Cle Elum.

WEST VIRGINIA—R. C. McCandlish, cashier Peoples Bank, Burnsville.

WISCONSIN—Walter E. Sprecher, cashier State Bank of Independence, Independence.

WYOMING—Herman Hegewald, president First State Bank, Laramie.

THE FUTURE OF STATE BANKS

The history, the accomplishments, the present position and the future of state banks are treated in an article printed elsewhere in this issue of the JOURNAL. Prof. W. A. Scott, head of the School of Commerce of the University of Wisconsin, is the author. Prof. Scott needs no introduction to the bankers of the country. His writings on money and banking are standard and his addresses attest a clarity of reasoning, a breadth of view and a practical understanding of banking problems which removes him from the class of theorists. Every state banker should read this article and cannot afford to let its lesson go unheeded.

Another article which every state banker should read is "The Future Policy of the Reserve System," which follows "Topics of the Month." It gives the practical side of the question of membership in the reserve system.

TAX ON PROMISSORY NOTES

The stamp act provisions of the new War Revenue Act became effective December 1, with a probable influence on borrowing from the Federal reserve banks of wide interest. Banks have availed themselves of the provision which permits them to borrow for fifteen days or less against collateral, and the reserve banks have made a special 3 per cent. rate on such loans. Many of the larger banks have found it convenient to make such loans for only one or two days, and Liberty Bonds and treasury certificates have been freely used as collateral in such cases, as well as eligible paper.

The revenue law provides for a tax of 2 cents for notes not exceeding $100 and an additional 2 cents for each $100 or fraction thereof. An estimate of the effect of the imposition of this tax on a one-day loan is that the rate will be increased by the tax from 3 per cent. to 10 per cent. For a period of fifteen days the cost would be 3½ per cent. as compared with 3 per cent. But the tax cost is constant. On a five-day loan of $100,000 the interest charge would be practically $41 and the tax would be $20, thus increasing the rate for the loan by approximately 50 per cent.

The weekly statement of the Federal Reserve Board shows the extent to which the banks have taken advantage of the fifteen-day loan privilege. The statement of November 24 showed that $449,500,000 of $656,000,000 of discounts were secured by collateral. Of these over 80 per cent. were secured by Liberty Bonds or treasury certificates of indebtedness. In the case of the Federal Reserve Bank of New York about $300,000,000 of the $351,000,000 of discounts consisted on the date mentioned of "advances made to member banks on their promissory notes." It is through such loans against Liberty Bonds that the banks have been able to facilitate Liberty Loan payments without disturbing the money market. The cost to the banks of such Liberty Loan operations would be not far from $100,000 if the tax had been in force October 15.

It is supposed the next Liberty Loan will be announced for April.

A SLACK DAY WITH A COUNTRY BANKER

The country banker sat him down inside the office rail which kept the curious public where they might not see his mail.

A stack of it was on his desk; he rubbed his shiny pate and glancing upward saw the clock was marking half-past eight.

He slit an envelope down one edge and found within some lore that told him Farmer Hummel's pigs had died the night before.

"Hog cholera, b' gosh,"
He said to Bill, his old cashier, who also kept the books, "Is getting pretty bad 'round here."

'We must extend old Hummel's note for sixty days, I guess." A circular from Washington . . . .

"Official Business,"
Requested he co-operate to push the war along, Another urged liquidity to make finances strong.

"Say, Bill,
Those theorists down there have got a few more bugs,
They think we ladle credit out and cork it up in jugs.

He seized a pen, O. K'd a check for Mrs. Jansen Yens; just then a woman ambled in to tell him that her hens——

The telephone . . . .
Within his reach rang out a jingling peal. In thirty seconds more he'd made a new insurance deal.

The woman with the hens was there and talking, talking still; he answered fourteen questions that had been perplexing Bill.

A dapper chap
With a device for making change by steam, was pushed aside by one with a new advertising scheme.

A neighbor's little girl appeared with tickets for a fair and Widow Jones to learn again if what she had was there.

To Hiram Dings he made a loan of fifty dollars more; then guaranteed Bert Smith's account at Johnson's grocery store.

A delegation
From the Guild was led by Susan Shibe; they honored him so he might be the first one to subscribe.

He signed some drafts
While Silas Dibbs renewed a six months' loan; he wrote and read, then talked some more upon the telephone.

Then Peter Beck,
A crabbed cove, and rich, came stamping in and spit tobacco on the floor and drizzled down his chin.

Old Peter Beck was very wroth because his plan to trim, his neighbor, Hezekiah Legg, had been reversed on him.

He held the bank responsible and cussed and stamped about, and in the end he wrote a check and drew his money out.

Old Peter
Swore he'd bust the bank and have the law on them.
The banker wired a call for help directed to George M.

The village trustees needed funds and looked to him for aid and Parson Hubbe asked would he march in Saturday's parade.

He signed more drafts, he found some things were better than he hoped, when Mrs. Dings came in to say her daughter had eloped.

With that young scamp
Philander Brown, she needed funds forthwith. And Humpy Smith came in for cash to bury Mrs. Smith.

When Bill got muddled with his books, he worked with him a bit, then wrote some letters, signed some checks, fixed up his mail and quit.

He shut the safe and lit the lamp and tidied things about and cleaned the ashes from the stove while Bill was sweeping out.

And just outside
he met a friend who shook him by the hand, and said, "by gee, you're looking fine; how lucky you did land! A bank is surely some grand place. It's fine and dignified. Some people have it pretty soft. Now I have always tried to be a Christian, moral man, but I don't get along. Somehow most everything I do turns out to be all wrong. But you," he slapped him on the back, "have got a lucky star. I wonder if you really know how fortunate you are."

The country banker said, "Good night! Reward from virtue springs," and as he turned away, he said a lot of other things.

A. D. W.

TITLE CHANGES AMONG BANK OFFICERS

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL-BULLETIN from October 24 to November 22, 1917, inclusive. Members will confer a favor by notifying this department immediately of any such changes. Publication will be made only on receipt of information direct from members:

ARKANSAS

Clinton—Brad Fraser elected cashier Van Buren County Bank, succeeding Tom Davis, resigned.

Conway—Tom Davis elected vice-president Bank of Conway. Opie Hartje appointed cashier, succeeding L. H. Pyle.

CALIFORNIA

Palo Alto—Philip M. Lansdale elected president Bank of Palo Alto, succeeding G. R. Parkinson, retired.

COLORADO

Steamboat Springs—Oliver I. Cheney, formerly vice-president, elected president Milner Bank & Trust Co., succeeding F. E. Milner, retired. Edward W. Davis succeeds J. Earl Milner as cashier.

CONNECTICUT

Hartford—Thomas J. Rogers elected assistant secretary Connecticut Trust & Safe Deposit Co.

Norwalk—J. P. Treadwell elected president The National Bank of Norwalk, succeeding E. J. Hill, deceased.

Ridgefield—George G. Shelton elected president First National Bank, succeeding George M. Olcott, deceased.

DISTRICT OF COLUMBIA

Washington—Hilleary L. Offutt, Jr., elected cashier District National Bank of Washington, succeeding Edmund S. Wolfe, resigned.

FLORIDA

Lake Helen—F. McDowell appointed cashier Bank of Lake Helen, succeeding C. G. Oates, resigned.

GEORGIA

Arlington—R. H. Bostwick elected vice-president Bank of Arlington, succeeding J. S. Cowort.

IDAHO

Boise—J. H. Richards elected president Idaho National Bank, succeeding Thomas R. Hamer, resigned. H. L. Streeter now cashier, succeeding H. J. Dick, resigned.

Ferdinand—E. M. Ehrhardt elected president Ferdinand State Bank, succeeding Henry Kuther.

Jerome—John Thomas now vice-president First National Bank, succeeding E. G. Bennett.

ILLINOIS

Elgin—Edwin S. Hubbel elected cashier Home National Bank, succeeding Wilson H. Doe, deceased.

Galesburg—S. V. Stuckey, formerly cashier, elected president Farmers & Mechanics Bank, succeeding L. A. Townsend, deceased.

INDIANA

New Albany—Judge Alexander Dowling appointed president Mutual Trust & Deposit Co., succeeding Claude L. Balthis, resigned.

IOWA

Grinnell—S. J. Pooley, formerly cashier, now president Grinnell Savings Bank, succeeding W. C. Rayburn. J. M. Woodworth now cashier.

Larrabee—Ivan Jacobsen appointed cashier Larrabee Savings Bank, succeeding L. F. Harris, resigned.

Sharpsburg—George Shaw elected cashier State Savings Bank, succeeding E. Hall.

KANSAS

De Soto—Harry Dicken now vice-president De Soto State Bank, succeeding J. M. Boyd, resigned.

Yates Center—T. T. Davis appointed cashier Yates Center State Bank, succeeding G. E. Bowen, resigned.

KENTUCKY

Hopkinsville—A. H. Eckles elected president Planters Bank & Trust Co., succeeding Jno. H. Bell, deceased.

MARYLAND

Baltimore—Clinton G. Morgan, formerly assistant cashier, elected cashier The National Exchange Bank of Baltimore, succeeding R. Vinton Lansdale, deceased.

MASSACHUSETTS

Boston—Charles W. Bailey elected president Boylston National Bank, succeeding Harry W. Cumner, deceased.

Boston—Patrick J. Kennedy elected president Columbia Trust Co., succeeding Joseph P. Kennedy, resigned.

Boston—Charles B. Stout elected treasurer Fidelity Trust Co., succeeding Frank F. McLeod.

MICHIGAN

Ishpeming—M. M. Duncan, formerly vice-president, now president Miners' National Bank, succeeding H. Olin Young, deceased. W. H. Johnston now vice-president.

MINNESOTA

McIntosh—Charles L. Conger, formerly cashier, now president Citizens State Bank. Ole Sannes appointed cashier.

MISSOURI

Montgomery—Samuel Sharp, Jr., appointed cashier Montgomery County Bank, succeeding M. N. Mallerson, resigned.

New Madrid—M. F. Ehlers elected president Commercial Bank of New Madrid, succeeding J. K. Robbins, resigned.

Springfield—J. C. Williams, formerly cashier, elected vice-president Bank of Commerce. J. L. Hine also elected vice-president. C. E. Randall now cashier.

MONTANA

Belgrade—E. L. Heidel appointed cashier Belgrade State Bank, succeeding C. H. Morse, resigned.

Dillon—Marshall Field elected cashier Security State Bank, succeeding C. F. Bailey, resigned.

NEBRASKA

Merna—J. E. Delehant elected cashier Bank of Merna, succeeding Y. B. Huffman now cashier First National Bank of Aurora.

Plattsmouth—R. F. Patterson, formerly assistant cashier, appointed cashier Bank of Cass County, succeeding T. M. Patterson, resigned.

NEW JERSEY

Hackensack—Frank B. Plympton elected first vice-president Hackensack Trust Company, succeeding Dr. David St. John, deceased. C. E. Breckenridge elected second vice-president.

Hackettstown—Mathias T. Welsh, formerly cashier, new president Peoples National Bank, succeeding Robert A. Cole, deceased. J. Miller Welsh appointed cashier.

NEW YORK

New York—Walter B. Poggenburg elected cashier Bank of Washington Heights, succeeding William Clark, deceased.

New York—C. R. Berrien and F. J. Leary elected vice-presidents Central Trust Company.

New York—Mortimer J. Fox elected vice-president Columbia Bank.

New York—John J. Broderick, Jr., elected treasurer Hudson Trust Company, succeeding John W. H. Bergen, resigned.

New York—W. M. Van Deusen, formerly cashier National Newark Banking Co., appointed assistant manager Mercantile Bank of the Americas, Inc.

NORTH DAKOTA

Ambrose—C. P. Grytness elected cashier Citizens State Bank, succeeding Clinton Goetz, resigned.

Dickinson—V. W. Maser, formerly assistant cashier, elected cashier Dakota National Bank, succeeding D. D. Mars, resigned.

Kenmare—John H. Kinney appointed cashier Farmers & Merchants Bank, succeeding Henry C. Dahl, resigned.

OHIO

Napoleon—G. E. Rafferty elected president Napoleon State Bank, succeeding Theodore Daman, resigned.

OKLAHOMA

McAlester—S. G. Bryan appointed cashier American National Bank, succeeding A. U. Thomas, resigned.

McAlester—A. U. Thomas elected active vice-president City National Bank.

OREGON

Bend—Hugh E. Bran, formerly assistant cashier First National Bank of Heppner, now active vice-president First National Bank of Bend.

Estacada—A. L. Lasswell, formerly assistant cashier, elected cashier Estacada State Bank, succeeding Irwin D. Wright, resigned.

PENNSYLVANIA

Easton—J. V. Bull elected president Easton National Bank, succeeding Wm. Hackett, deceased. W. Clayton appointed vice-president, succeeding D. W. Nevin, resigned.

Washington—J. W. Grimes now cashier Peoples National Bank, succeeding J. Winfield Reed.

SOUTH DAKOTA

Vermilion—H. A. Bergren, formerly assistant cashier, now cashier Citizens Bank & Trust Co., succeeding C. H. Forehand, resigned.

Waubay—Paul M. Rickert appointed cashier First National Bank, succeeding H. H. Fromelt.

TEXAS

Waco—F. B. Dupree, formerly cashier First National Bank, now cashier Central Texas Exchange National Bank, succeeding F. E. McLarty, resigned.

Wichita Falls—R. E. Shepherd elected cashier and director National Bank of Commerce.

VERMONT

White River Junction—Geo. B. Carpenter appointed treasurer Hartford Savings Bank & Trust Co., succeeding Geo. H. Watson, deceased.

VIRGINIA

Covington—C. R. Karnes elected cashier Covington Savings Bank, succeeding D. R. Ellis.

Fries—M. M. Vaughan appointed cashier Washington Banking & Trust Co., succeeding J. W. McLean, resigned.

Norfolk—W. W. Vicar, formerly cashier, elected vice-president Trust Company of Norfolk. A. W. Brock, formerly assistant cashier, now secretary and treasurer.

WEST VIRGINIA

Sistersville—E. Roome, formerly vice-president, elected president Peoples National Bank, succeeding G. B. West, resigned.

WISCONSIN

Weyauwega—L. D. Post now vice-president Farmers & Merchants Bank, succeeding Ben Wiener, resigned.

REGISTRATION AT THE ASSOCIATION OFFICES

REPORTED FROM OCTOBER 23 TO NOVEMBER 22, 1917

Aldrich, Prof. M. E., Tulane University, New Orleans, La.
Allen, W. W., Jr., Philadelphia National Bank, Philadelphia, Pa.
Allendoerfer, C. W., vice-president First National Bank, Kansas City, Mo.
Blair, Frank W., president Union Trust Company, Detroit, Mich.
Bruton, H. B., Wilson, N. C.
Bruton, Jno. F., president First National Bank, Wilson, N. C.
Campbell, Henry M., Chairman of the Board, Union Trust Company, Detroit, Mich.
Campbell, William M., president American Savings Bank, Hartsdale, N. Y.
Clarabut, G. G., cashier Farmers National Bank, Rome, N. Y.
Dinkins, Lynn H., president Interstate Trust & Banking Company, New Orleans, La.
Drum, John S., president Savings Union Bank & Trust Co., San Francisco, Cal.
Ellsworth, Fred. W., secretary Guaranty Trust Company, New York City.
Goebel, P. W., president Commercial National Bank, Kansas City, Kan.
Griffing, cashier City National Bank, Danbury, Conn.
Hall, Myron S., president Buffalo Trust Company, Buffalo, N. Y.

Hawes, R. S., vice-president Third National Bank, St. Louis, Mo.
Hecht, R. S., vice-president Hibernia Bank & Trust Co., New Orleans, La.
Henley, George W., The National City Bank of New York, New York City.
Hinsch, Charles A., president Fifth-Third National Bank, Cincinnati, Ohio.
Hoge, James D., president Union Trust & Savings Company, Seattle, Wash.
Huebner, Prof. S. S., University of Pennsylvania, Philadelphia, Pa.
Johnston, A. W., Schenectady, N. Y.
Jones, C. H., cashier Linn County Bank, Brookfield, Mo.
Kemmerer, Prof. E. W., Princeton University, Princeton, N. J.
Kinney, Wm. G., New York Evening Post, New York City.
Law, Jno. A., president Central National Bank, Spartanburg, S. C.
Law, Wm. A., president First National Bank, Philadelphia, Pa.
McCarter, Uzal H., president Fidelity Trust Company, Newark, N. J.
McWilliam, E. G., Guaranty Trust Company, New York City.
Maddox, Robert F., president Atlanta National Bank, Atlanta, Ga.
Moulton, Prof. H. G., University of Chicago, Chicago, Ill.
Platten, John W., president United States Mortgage & Trust Company, New York City.
Pratt, James M., vice-president Guaranty Trust Company, New York City.
Prentiss, Mark O., secretary Association of Owners of Railway Securities, Baltimore, Md.
Prosser, Seward, president Bankers Trust Company, New York City.
Sharer, W. P., president First National Bank, Zanesville, Ohio.
Shultz, Chas. S., president Hoboken Bank for Savings, Hoboken, N. J.
Sprague, Prof. O. M., Harvard University, Cambridge, Mass.
Streat, Hearn W., Blair & Company, New York City.
Suzuki, Senichiro, assistant manager, Nippon Shoji Kaisha, Ltd., Tokyo, Japan.
Thomson, J. C., auditor Northwestern National Bank, Minneapolis, Minn.
Tilton, McLane, Jr., president First National Bank, Pell City, Ala.
Wetmore, W. M., cashier Grosvenor Savings Bank, Jonesville, Mich.
Wilson, E. B., vice-president First Trust & Savings Bank, Des Moines, Iowa.
Wolfe, Edward S., assistant cashier National City Bank, Brooklyn, N. Y.
Wood, John W., treasurer Commercial Trust Company, Springfield, Mass.

MORTUARY RECORD OF ASSOCIATION MEMBERS

Reported from October 23 to November 23, 1917

Bell, John H., president Planters Bank & Trust Co., Hopkinsville, Ky.
Bentley, A. M., vice-president Owosso Savings Bank, Owosso, Mich.
Blocklinger, Major B. F., first vice-president First National Bank, Dubuque, Iowa.
Carey, Robert, president Commercial National Bank, Upper Sandusky, Ohio.
Childs, Harris M., president City National Bank, York, Neb.
Cole, Robert A., president Peoples National Bank, Hackettstown, N. J.
Cutler, Ralph W., president Hartford Trust Company, Hartford, Conn.
Daly, T. M., president Continental Equitable Trust Co., Philadelphia, Pa.
Foos, William F., president Springfield National Bank, Springfield, Ohio.
Freifeld, George, vice-president and director Manufacturers Trust Co., Brooklyn, N. Y.
Gallaway, R. M., ex-president Merchants National Bank and director Hanover National Bank, New York City.
Gesner, John M., president Nyack National Bank, Nyack, N. Y.
Gibbs, Major John S., chairman of board Citizens National Bank, Baltimore, Md.
Johnson, Edgar, cashier Duluth State Bank, Duluth, Minn.
Leon, Julius, vice-president Vandeventer Trust Company, St. Louis, Mo.
Luke, Arthur F., director Liberty National Bank, New York City.
McLeod, Frank F., vice-president Fidelity Trust Co., Boston, Mass.
Matthews, Charles D., president Bank of Sikeston, Sikeston, Mo.
Maynard, John A., assistant treasurer Newburyport Five Cents Savings Bank, Newburyport, Mass.
Miller, C. H., president First National Bank, Linden, Ala.
Raymond, Artemus S., vice-president Hyde Park Trust Co., Boston, Mass.
Rumsey, Lawrence D., vice-president Bank of Buffalo, Buffalo, N. Y.
Shea, Nicholas H., vice-president Federal National Bank, Washington, D. C.
Townsend, L. A., president Farmers & Mechanics Bank, Galesburg, Ill.
Tripp, James H., president First National Bank, Marathon, N. Y.
Ver Schure, C., vice-president Holland City State Bank, Holland, Mich.
Wheeler, John E., president Farmers & Merchants Union Bank, Columbus, Wis.
Williams, Samuel L., president Purcell Bank & Trust Co., Purcell, Okla.
Winter, T. A., vice-president First National Bank, Chewelah, Wash.

BULLETIN

OF THE

AMERICAN INSTITUTE OF BANKING

"We Serve"

Chairman J. C. Thomson Describes the Work of the Institute Public Affairs Committee

PRESIDENT HECHT has given the Institute as a motto for this year, "We Serve," and this is especially the watchword of the public affairs committee. The members of this committee feel that every A. I. B. man is ready and willing to do his part, whether this means service at the front or bearing the brunt of the unusual conditions at home and assisting the government there by doing any extra work that may be within his power. The definite work assigned to this committee this year was to assist the Federal reserve bank to float the different loans. In organizing this work we have a splendid chance to translate the motto set before us into active service. The banks are being called on to assist in a very large and practical way in financing the war, and the public is looking to the bank officers and employees to not only do the actual work of handling subscriptions to the loans, but furnish information in regard to the government's financial plans and do a great deal of the educational work which is necessary to secure the vast sums required to carry the war to a successful conclusion. The Executive Council very wisely instructed the committee to co-operate with the existing machinery under the Federal reserve banks, working in harmony with local Liberty Loan committees instead of setting up an independent organization of our own, thus eliminating any chance for duplication of effort. Local conditions will determine to a large degree the extent and direction of the A. I. B. chapters' participation in this work, but your committee recommends the following definite suggestions for consideration by every chapter.

1. Every bank man, and particularly every Institute man because of his training, should be so familiar with the general principles of war finance as well as the details of the different issues of bonds, that he can be an intelligent booster, in his own bank and in social conversation with friends. Needless to say, he should be familiar with the issues involved in the war, and be helpful in creating intelligent public opinion to back up our government in its efforts. The government must have this backing from thoughtful citizens, and the Institute through its 22,000 members can be of great assistance by considering these subjects in the open meetings of the chapters and informing its members. Your committee therefore recommends that every chapter arrange for talks and discussion along the following lines:

The issues of the war and why we are in it.

Why the government needs money, with an outline of the machinery necessary to carry on the war.

Financing the war, including an outline of the method of raising funds through bond issues and by taxation.

The details of payment for bonds, conversion from one issue to another, etc.

Let no man think that these are elementary subjects. If this war is to be a long one, as now seems the case, it is necessary that every citizen should be educated along the lines of these fundamentals in order that we as a people may steel ourselves to the sacrifices and hardships which we must necessarily bear.

2. The Institute has been for years training men in regard to the subjects of "Banking" and "Law." We have also conducted public speaking classes so that our members might be capable of speaking convincingly. Great numbers of speakers are and will be needed by local Liberty Loan committees and other organizations to explain the government's plan for financing the war and impress on the individual citizen his responsibility for sharing the burden. Your committee, therefore, recommends that each chapter select those men from among its members who are qualified to speak and submit their

names to the local committee in charge of liberty bond sales as volunteers. It is also recommended that some one qualified to instruct these men in public speaking do so, and it would be well to secure the advice of local bankers and members of the committee as to the particular problems to be met. A record should be kept of the extent of each chapter's participation in this work, so that we may submit reports to the Institute as a whole through the JOURNAL-BULLETIN.

3. Whenever conditions permit, A. I. B. members may do actual soliciting, using the time after banking hours or in the evenings.

4. Some chapters have made use of placards stating that there was some one in the house, where the card appeared who would be glad to furnish information in regard to the Liberty Loan and take subscriptions without charge. These cards may be placed in the windows of homes in the residential sections and reach a large number of people who may be seeking information or desire to subscribe, but do not find it convenient to call at a bank.

5. By the time this article is published, it is the aim of the committee to send to each Institute member in the country detailed suggestions as to how he may co-operate in the War Savings campaign. Your committee feels that the Institute can do its greatest work in this campaign, as this is primarily an educational campaign, and urges chapter officers everywhere to have this matter taken up by their public affairs committees and definite action taken.

No doubt there are other ways in which the American Institute of Banking can and will co-operate in assisting the government to finance the war, but we believe that every member stands ready to do his bit, and hope through our work this year to enable our organization to do its part in the way in which we can be of the most effective service.

It was hoped to have a report of the actual work done by the various chapters in the last Liberty Loan campaign for this issue of the JOURNAL-BULLETIN, but reports have not yet been received from all of the districts so that it is impossible to tabulate results. The following distinctive lines of service have been reported to the chairman of this committee:

Speakers were furnished for four-minute talks, talks before theater audiences, organizations, etc.

Placards placed in the homes of members stating that they would give information regarding or take subscriptions to the Liberty Loan.

Members have manned Liberty Loan booths where bonds were sold.

Members have solicited in the residence and other sections of cities, one chapter furnishing 166 men for this service.

Members have volunteered their services as clerks in the local Liberty Loan headquarters.

Members co-operated in the distribution of advertising material.

In many cases Institute men were called on to serve on the central Liberty Loan committees.

Last but not least, members of the A. I. B. and bank men in general have worked overtime, because of the extra work thrust on the banks, cheerfully and willingly, and every chapter reports that they were glad to be of assistance in this cause.

The names of the district chairmen of this committee were published in the last issue of the JOURNAL-BULLETIN. They will be glad to receive reports from local chapters as to results accomplished, suggestions for future work, or help in organizing the work in your district.

SOLDIERS OF FINANCE

"What is the first essential of success in war?" was asked of the great Napoleon.

"Money," was his answer.

"And the second essential?"

"More money."

"And the third essential?"

"Still more money."

The war for democracy requires soldiers of finance as well as soldiers of bullets and bayonets.

War Savings certificates are financial machine guns. Every such certificate sold is a shot into the heart of the enemy.

In the campaign to sell War Savings certificates, the American Institute of Banking must be to Mr. Vanderlip what the famous Imperial Guard was to Napoleon.

Chapter members may train themselves to become members of speaker's bureaus and aid in spreading propaganda throughout their respective communities. They may train themselves to write articles on thrift and to spread the gospel of thrift in every conceivable way, not alone in co-operating with the Hoover campaign for food saving, but in actually encouraging people to produce more, save more and waste less.

The patriotic effort which chapter members may make in actively supporting this campaign will, in after years, make them proud of the part they took, not only in thus cultivating the habit of thrift, but in inculcating in the minds of the people such habits as will provide a strong and steady force in the economic and social life that will follow the war.

The duties thus imposed are imperative. The opportunities are boundless.

BOARD OF REGENTS MEETING

The Board of Regents of the American Institute of Banking Section of the American Bankers Association held a meeting in New York on Saturday, November 17. Professors M. A. Aldrich of Tulane University, S. S. Huebner of the University of Pennsylvania and H. G. Moulton of the University of Chicago were present by invitation for the purpose of conference regarding the educational work of the Institute. A few changes of evolutionary character were made in the Institute standard courses of study, to become effective May 1, 1918, and systematic courses of study were arranged in "Elementary Banking" and "Elementary Economics." Incidentally, the name of the new text-book, originally entitled "Banking for Beginners," was changed to "Elementary Banking," so as to more clearly indicate that it is intended not only for beginners but also for others who need education of fundamental character. It was also decided to establish advanced courses of study in "Accounting and Credit," and in investments and international trade and exchange. The study course in "Accounting and Credit" will be prepared in time for introduction next fall, and the other advanced courses will be completed as soon as possible. The general plan of Institute study courses thus provided is as follows:

ELEMENTARY COURSES OF STUDY

(Now in Operation)

Elementary Banking

For the benefit of the multitude of young men and young women engaged in banking under conditions incident to the war—as well as others who need educational facilities of fundamental character—the Institute has designed a suitable course of study, adapted alike to class and correspondence instruction. The course of study thus provided consists of a text-book entitled "Elementary Banking," reinforced by ten practical exercises arranged in accordance with the respective chapters into which the text-book is divided as follows:

Preliminary Section.—I. Elementary Essentials. II. Elements of Contracts. The preliminary section is to be completed before the cycle section is begun.

Cycle Section.—III. Drafts and Acceptances. IV. Promissory Notes and Discount. V. Deposits and Checks. VI. Exchanges and Transfers. VII. Bills of Lading and Other Documents. VIII. Special Problems in Law. IX. Bank Departmentization. X. Federal Reserve System. The subjects included in the cycle section may be taken in any order desired. The course of study thus provided concludes with a final examination in general review of the subject.

Elementary Economics

Economics is the science that deals with wealth—its production and its uses—and it so closely relates to banking that the study of banking and the study of economics are inseparable. The Institute has accordingly provided an elementary course of study in economics to supplement the study course in "Elementary Banking." Such study course consists of (1) Ely and Wicker's text-book on "Elementary Principles of Economics"; (2) a series of ten practical exercises arranged in accordance with the chapters into which the text-book is divided; (3) a final examination in general review of the subject.

Elementary Certificates

In city chapter classes each of the two elementary courses of study is designed to occupy one school year from September to May, inclusive. Correspondence students of average ability and industry should complete each elementary course in from six months to a year. To students who pass final examination in both "Elementary Banking" and "Elementary Economics" the Elementary Certificate of the Institute is awarded. Such Elementary Certificate is subordinate to the Standard Certificate of the Institute awarded upon completion of the Institute Standard courses of study hereinafter described.

STANDARD COURSES OF STUDY

(To be in Effect May 1, 1918)

Money and Banking

The Institute standard course of study in "Money and Banking" is a logical combination of theory and practice. Banking has become a profession instead of a trade and progressive bankers must not only know the practical methods of bank administration and accounting, but also have some understanding of banking history and banking principles. The Institute standard study course in "Money and Banking" consists of (1) a standard text-book; (2) a selection of ten or more publications on collateral subjects, including current events; (3) a series of practical exercises arranged in accordance with respective chapters into which the text-book is divided; (4) a final examination in general review of the subject of "Money and Banking."

Commercial and Banking Law

The Institute standard course of study in "Commercial and Banking Law" is not intended to make lawyers, but simply to impart to bankers sufficient knowledge of law to enable them to act in accordance with established legal principles and refer doubtful questions to a lawyer. In other words, bankers should know what is law and what is not, and thus be able to distinguish between law and a lawsuit. The Institute standard course of study in "Commercial and Banking Law" consists of (1) a text-book on "Commercial Law," reinforced by practical exercises; (2) a text-book on "Negotiable Instruments," reinforced by practical exercises; (3) a final examination in general review of both "Commercial Law" and Negotiable Instruments." For collateral study Paton's "Digest of Opinions" is provided.

Institute Standard Certificates

In city chapter classes each of the two Institute standard courses of study is designed to occupy one school year from September to May, inclusive. Correspondence students of average ability and industry should complete each of such courses in from six months to a year. Credit is given severally for final examinations successfully undergone, but Institute standard certificates are issued only to students who have passed final examination in both of the Institute standard courses of study. The Institute issues a special Elementary Certificate to students who complete the study courses in "Elementary Banking" and "Elementary Economics."

Evolutionary Changes

From the foregoing description it will be seen that the amount of text-literature provided in the Institute standard courses of study is to be greatly increased, and that the practical exercises are to be rearranged in accordance with respective chapters of text-books. Such plan will not only be more convenient in class work, but also render correspondence instruction more attractive. On and after May 1, 1918, certain qualifications will be required of students for admission to the Institute standard courses of study. Ordinarily such requirement will be the Institute elementary certificate. In exceptional cases, however, three years of study in a high school or three years of experience in a banking institution will be accepted as equivalent to the Institute elementary certificate.

ADVANCED COURSES OF STUDY

(In Preparation)

Accounting and Credit

The Institute advanced course of study in "Accounting and Credit," already in process of preparation, will aim to co-ordinate accounting principles and practical bookkeeping. The course will consider the substance as well as the form and construction of the balance-sheets of banks and other business enterprises. It will consist of (1) a standard text-book; (2) a selection of publications on collateral subjects; (3) a series of practical exercises; (4) a final examination in general review of the subject. The course of study thus arranged is intended to meet the requirements of Institute graduates and others in chapter cities, as well as to provide similar education through the correspondence method of instruction.

Other Advanced Courses

The precise scope of the Institute advanced courses of study in investments and international trade and exchange has not yet been determined. In fact, the exact names of such study courses will depend upon the development of their character. Government loans and the industrial effects of the war have stimulated interest in finance and multiplied the number of investors in bonds and other securities. The results of the war, however, must necessarily be influential in determining the precise character of any course of study on so broad a subject as investments. Similar conditions and circumstances apply to the Institute advanced study course on international trade and exchange. Institute graduates and others may be assured, however, that Institute work will be sufficiently enlarged and extended to meet their requirements.

UNITED WE EAT—DIVIDED WE STARVE

A story is told of Patrick Donegan who lived near Tipperary. Patrick started out early one morning, shillelah in hand, for the Tipperary fair. On his arrival he got into an argument with a visitor to the fair, another Irishman, which ended in Patrick hitting him over the head with his shillelah, fracturing the skull and killing him. The blow apparently was not a very hard one. When an examination of the dead man's head was made, it was disclosed that the man had what was known, in surgical parlance, as a "paper skull." Patrick was tried and convicted. The judge asked him whether he had anything to say before sentence was passed. Patrick rather thoughtfully looked into the face of the judge and said, "There is only one thing I would like to know, what is a man with a paper skull doing at a Tipperary fair?"

There is a moral to this story which deserves recognition. So many people, accustomed to the comforts of life, fret and whine when it becomes necessary to sacrifice. The least blow on the head will crack the skull, the least sacrifice requested of them is resented. Fortunately, however, the majority realize that victory in this war can only be gained through the elimination of waste and the conservation of food; that a mouthful saved is a mouthful gained for some starving Armenian or Belgian child. Food conservation in this country will enable America to successfully feed her Allies and so win the war. The war is going to be won as much by food conservation as by the force of arms.

There are over 22,000 members in the American Institute of Banking, everyone of whom will sacrifice and conserve. Those that stay at home have and will have many opportunities to serve their country, through saving more, producing more and wasting less. It will develop the character and stability that will be so much needed in the reconstruction period after the war.

Every member of the American Institute of Banking, every banker in the country is individually urged to eliminate waste, increase production and save and conserve. If we stand united in this purpose, we shall continue to enjoy the fruits of proper living; if we are divided, it will only prolong the war.

NUGGETS

SATISFACTION

To be continually advancing in the paths of knowledge is one of the most pleasing satisfactions of the human mind.—*Cicero.*

OPPORTUNITY

Weak men wait for opportunities; strong men make them.—*Marden.*

ADVANCEMENT

We advance by doing, not by thinking of our thoughts and feeling our feelings.—*Elbert Hubbard.*

THE INVISIBLE WORKSHOP

Man has a visible and an invisible workshop. The visible is his body, the invisible—his mind.—*Paracelsus.*

INSTITUTE CHAPTERGRAMS

REPORT OF VICE-PRESIDENT THOMSON

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
DULUTH	38	———————	Class in economics.
EAU CLAIRE	33	Commercial Law	One open meeting.
GRAND FORKS	27	Banks and Banking	Activities confined to standard study course.
MINNEAPOLIS	457	Banks and Banking	Class in elementary banking.
ST. PAUL	233	Loans and Invsts.	Class in elementary banking.

REPORT OF COUNCILMAN BECKLEY

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
AUSTIN	33	Banks and Banking	Activities confined to standard study course.
DALLAS	86	Banks and Banking	Class in economics.
EL PASO	53	Loans and Invsts.	One open meeting.
FORT WORTH	47	Commercial Law	Activities confined to standard study course.
SAN ANTONIO	38	Loans and Invsts.	One open meeting.
WACO	33	Commercial Law	Stressing educational work.

REPORT OF COUNCILMAN NEWELL

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
LOS ANGELES	634	Commercial Law Negotiable Insts.	Classes in trust and escrow practice and economics.
OAKLAND	206	Commercial Law	Class in public speaking.
SACRAMENTO	121	Commercial Law	Activities confined to standard study course.
SALT LAKE	149	Banks and Banking	Class in elementary banking.
SAN FRANCISCO	1186	Banks and Banking Commercial Law	Classes in elementary banking, foreign trade and accounting. One open meeting.
SAN JOSE	84	Commercial Law	Organized October 2, 1917.
STOCKTON	61	Banks and Banking	One open meeting.

REPORT OF COUNCILMAN KANE

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
HARTFORD	279	Commercial Law	Classes in elementary banking and economics.
NEW HAVEN	203	Commercial Law	One open meeting. Meeting for graduates.
SPRINGFIELD	37	Commercial Law	Activities confined to standard study course.
WATERBURY	86	Commercial Law	Activities confined to standard study course.

REPORT OF COUNCILMAN MAURICE

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
CHICAGO	1156	Commercial Law Banks and Banking	Classes in elementary banking and public speaking. Patriotic meeting.
DES MOINES	161	Banks and Banking	Patriotic meeting. General meeting. Ladies' night.
DETROIT	319	Banks and Banking	Class in elementary banking.
GRAND RAPIDS	15	Negotiable Insts.	Activities confined to standard study course.
INDIANAPOLIS	60	Commercial Law	Class in elementary banking.
MILWAUKEE	326	Commercial Law	Class in elementary banking.
SIOUX CITY	129	Banks and Banking	One open meeting.

REPORT OF COUNCILMAN HEBRANK

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
CINCINNATI	256	Commercial Law Negotiable Insts.	Class in elementary banking.
CLEVELAND	550	Loans and Invsts.	One open meeting.
DAYTON	122	Banks and Banking	Class in public speaking.
PITTSBURGH	943	Banks and Banking	One open meeting.
TOLEDO	160	Commercial Law	Activities confined to standard study course.
WHEELING	78	Commercial Law	Class in elementary banking.

REPORT OF COUNCILMAN CHENEY

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
DENVER	173	Commercial Law	Post-graduate class in economics.
KANSAS CITY	292	Commercial Law Banks and Banking	Classes in elementary banking, public speaking and post-graduate. One open meeting.
LITTLE ROCK	120	Commercial Law	One open meeting.
LOUISVILLE	32	Commercial Law	Post-graduate class.
MEMPHIS	66	Commercial Law	Activities confined to standard study course.
OMAHA	104	Banks and Banking Commercial Law	Class in elementary banking.
SPRINGFIELD	38	Banks and Banking	Organized August 16, 1917.
ST. LOUIS	437	Commercial Law	Class in elementary banking.
TULSA	100	Commercial Law	Activities confined to standard study course.

REPORT OF COUNCILMAN RATHBONE

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
BOSTON	788	Banks and Banking	One open meeting.
PROVIDENCE	180	Commercial Law	Class in elementary banking.
WORCESTER	131	Banks and Banking	One open meeting.

REPORT OF COUNCILMAN ROPER

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
ASHEVILLE	26	Banks and Banking	Organized October 26, 1917.
BALTIMORE	610	Commercial Law	Class in elementary banking.
CHARLESTON	65	Banks and Banking	Post-graduate class in economics.
COLUMBIA	52	Commercial Law	One open meeting.
RALEIGH	26	Commercial Law	Class in public speaking.
RICHMOND	330	Commercial Law Banks and Banking	Classes in elementary banking, credits and public speaking. One open meeting.
WASHINGTON	370	Commercial Law	Classes in elementary banking, accounting, French and economics. Arranging for membership campaign.

REPORT OF COUNCILMAN MACMICHAEL

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
GREAT FALLS	40	Commercial Law Banks and Banking	One open meeting. Patriotic dinner.
PORTLAND	352	Commercial Law	Classes in elementary banking and public speaking.
SEATTLE	272	Banks and Banking	Class in public speaking.
SPOKANE	69	Commercial Law	One open meeting.
TACOMA	63	Commercial Law Negotiable Insts.	One open meeting.

REPORT OF COUNCILMAN NICKERT

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
HARRISBURG	81	Commercial Law	One open meeting.
LANCASTER	111	Commercial Law	Two open meetings.
PHILADELPHIA	1611	Banks and Banking Commercial Law	Class in elementary banking. Three open meetings. War tax discussion.
SCRANTON	103	Commercial Law	One open meeting.
WILKESBARRE	23	Commercial Law	Post-graduate class in economics.

REPORT OF COUNCILMAN RATTRAY

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
ALBANY	267	Commercial Law	Class in elementary banking.
BUFFALO	137	Commercial Law	Classes in economics and public speaking.
NEW YORK	2474	Banks and Banking Commercial Law	Classes in elementary banking, commercial geography, accounting, foreign trade, international exchange, public speaking, business English and French.
ROCHESTER	85	Commercial Law	A forum is also conducted.
SYRACUSE	121	Banks and Banking	Classes in economics and public speaking.
UTICA	117	Commercial Law	Class in elementary banking.

REPORT OF COUNCILMAN SEABORG

CHAPTERS	MEMBERS	STANDARD CLASSES	MISCELLANEOUS ACTIVITIES
ATLANTA	140	Banks and Banking	Activities confined to standard study course.
BIRMINGHAM	79	Banks and Banking	One open meeting.
CHATTANOOGA	89	Commercial Law	Classes in elementary banking and debate.
JACKSONVILLE	43	Commercial Law	Planning for a class in public speaking and debate.
MACON	32	Commercial Law	One open meeting.
MOBILE	28	Commercial Law Negotiable Insts.	Activities confined to standard study course.
NASHVILLE	122	Banks and Banking	A post-graduate class is also conducted.
NEW ORLEANS	218	Commercial Law	Classes in elementary banking and debate.
PANAMA	41	Negotiable Insts.	One open meeting.
SAVANNAH	27	Banks and Banking	Election of officers.

ASHEVILLE CHAPTER

Asheville (N. C.) Chapter of the American Institute of Banking has been organized with twenty-seven charter members. The officers selected are: Paul P. Brown, American National Bank, president; Wm. F. Duncan, Citizens Bank, vice-president; Philip B. Hall, Battery Park Bank, secretary; and Walter B. Carpenter, Wachovia Bank & Trust Co., secretary. The executive committee is composed of Houston Merrimon, Battery Park Bank, W. B. Williamson and T. Q. Miller, Wachovia Bank & Trust Co.; J. D. Arvine, Central Bank & Trust Co.; Jos. B. Whitfield, American National Bank; and R. E. Currence, Southern State Bank. Hon. Jas. J. Britt, an attorney and former Congressman, has been secured as instructor, and the class will begin the study of "Banks and Banking" at once. The Asheville Clearing House Association is heartily in sympathy with the movement and is rendering every assistance to the chapter in making its plans for the winter's work a success. P. B. HALL.

KANSAS CITY CHAPTER

We have now arrived at the point where we can make definite assertions as to what the scope of the work will be in our different departments. Our corps of instructors are able and experienced men. The work of Harry B. Walker of the "Law" class and of C. H. Cheney of the "Banking" class was detailed in the last issue of the JOURNAL-BULLETIN. The graduate class has secured the services of Geo. D. Biggs as instructor in economics. Mr. Biggs is a graduate of the University of Kansas and has spent eight years teaching this subject. For the past year he has been with the A. Jaicks Construction Company of this city. Individual members of the class are assigned subjects on which to report each meeting night, and these reports, taken together with explanations by the instructor, make the work very profitable indeed. November 20 has been selected as an open night by the class, at which time the recent "War Revenue Bill" will be the subject under discussion, the purpose being to familiarize ourselves with the Income Tax Law, War Profits Tax, Excess Profits Tax, Stamp Tax, etc. The public speaking class has been organized and is to be conducted by Prof. Preston K. Dillenbeck of this city. The enrolment has reached the gratifying number of twenty-seven members, who meet from 6 P. M. to 7 P. M. on regular meeting nights. Others who are contemplating joining the class and some who have already joined will meet from 8 P. M. to 9 P. M. of the same evening. The attendance this year is very encouraging. On Tuesday evening, October 16, there were present at the "Law" class 82, at the "Banking" class 60 and at the graduate class 30. We are well pleased with the outlook. J. FRANK JAMISON.

THOMSON MOVED UP

J. C. Thomson, vice-president of the Institute, has been elected an assistant cashier of the Northwestern National Bank of Minneapolis. A good thing for Thomson and a good thing for the bank.

RICHMOND CHAPTER

Richmond Chapter is happy to report that the class in elementary banking for ladies has started off very successfully, having on its roll sixty-five ladies. We are still enrolling new members in the chapter, and the work for this season seems as if it will be successful in every way. A committee appointed by the president, L. B. Thomas, to solicit subscriptions to the Liberty Loan succeeded in selling about $50,000 worth of bonds in one day. At our last meeting we were partakers of a feast in the form of a debate, "*Resolved*, That the excess profits as written in the Revenue Bill recently enacted by Congress will prove injurious to the welfare of the country." Affirmative—Jesse F. Word and R. H. Lee; Negative—S. Y. Tyree and Walter S. Robinson. The judges were W. M. Addison, Walker Scott and L. D. Warren. After much consideration the judges bestowed the laurels upon the negative side. R. G. ANDREWS.

CHICAGO CHAPTER

Chicago Chapter has felt very badly since October 24, for that was the day our worthy member, John J. Arnold, vice-president of the First National Bank, met with a serious accident. Both of his legs were crushed and had to be amputated immediately just above the ankles. Mr. Arnold has taken an unusually strong interest in our chapter and we are heart-sick because of his misfortune. Reports at the present time are very favorable, and we all hope to see him up and around again soon. Chicago has just closed a very successful campaign for the Y. M. C. A. war fund. Our goal was $3,000,000 and we passed that by almost $200,000. The clearing house association of Chicago had its members give in proportion the aggregate sum of $100,000. From the over-subscription to the fund, we know the Y. M. C. A. will never experience any trouble in raising money for our boys at the front. Raleigh E. Ross, ex-correspondent for Chicago Chapter, is in the navy, and he has written some fine articles regarding that branch of the service. It would be too long to publish them here, but every bank man would be well repaid for taking the time to send for one of the copies of the *Chicago Bank Man.* Our debate society is under way good and strong, and we expect to do some hard work. It has been seen fit to make Professor Kline our instructor, advisor and critic. The foreign trade class, composed of Institute members, held a re-organization meeting, and because of our many boys who have taken up arms it was decided to combine the Chicago Association of Commerce class with ours. We have two sterling men at the head of this group. They are A. E. Wilcox, manager of the foreign exchange department of one of our large banks, who was elected chairman to succeed himself, and the export manager of Thomas E. Wilson and Company, who was elected vice-chairman. We have, up to date, completed one-half of the course and will finish it in the next few months. The last general meeting, at this writing, was held November 13. Sergeant Harry Baldwin of the Canadian Expeditionary Force was scheduled on the program, but was unable to appear, so his comrade, Sergeant Moore, told us of his actual experiences on the western front. It came home to us then that we are in a real war when he mentioned just a few of the tribulations and hardships the soldiers had to undergo. The German atrocities brought tears to our eyes, and the speaker could not keep from breaking down himself. If other chapters have never had such a delineation, they should try to get some one who has experienced life at the front on their program.

K. G. PAYNE.

GOOD WEATHER FOR WOLVES

The two Institute wolves — Howard of Philadelphia and Edmund of Washington—keep on coming up in the world. Howard has been made cashier of the Philadelphia National Band and Edmund assistant cashier of the Nation City Bank of New York. There is not much to be said about either of these wolves, except that they both have the habit of doing right things in right ways. In neither case did Institute graduation prove a handicap.

BOSTON CHAPTER

Members' Night of Boston Chapter was held in Lorimer Hall, Tremont Temple, on Tuesday, November 13. The speaker of the evening, Hon. Andrew J. Peters, gave an interesting and instructive address on "Preparation for Business After the War." The musical part of the program was well taken care of by the chapter orchestra. The "Banking" course, conducted by Prof. O. M. W. Sprague of Harvard University, has 213 students enrolled, twenty-eight of whom are women. The first talk "Bank Organization" of the practical banking course was given on November 20 by James D. Brennan, vice-president of the First National Bank, Boston. Efforts are being made to have courses in public speaking and debating, also foreign trade and foreign exchange. At a meeting of the board of governors, October 26, ninety-one applicants were elected members of the chapter. Provision was also made whereby the dues of members in service were suspended for the duration of the war. The following members have recently received promotions: W. F. Benkiser of the Pittsburgh Chapter elected assistant cashier of the First National Bank, Boston. John Bolinger of the New York Chapter elected vice-president of the National Shawmut Bank, Boston. Robert H. Bean, treasurer of the Casco Mercantile Trust Company, Portland, Me., and ex-national president of the Institute, has been appointed general financial representative of J. H. Hamlen & Son, Inc., and the Cumberland Shipbuilding Company of Portland, Me. James D. Brennan, National Bank Examiner, elected vice-president of the First National Bank, Boston. Hubbard B. Mansfield elected assistant cashier of the National Union Bank, Boston, to succeed John W. Marno, who resigned to enter the active service of the United States Navy.

GEORGE W. SIMPSON.

MILWAUKEE CHAPTER

On Friday evening, October 16, Milwaukee Chapter was honored by a visit from R. S. Hecht, President of the Institute. A large audience was on hand to greet him. He delivered a very instructive talk on the benefits derived from taking advantage of the courses outlined by the Institute. The classes in "Commercial Law" and elementary banking are well attended. The girls are taking great interest in the elementary banking course, Tuesday evening each week being devoted exclusively to them.

C. G. LAWLER.

VICE-PRESIDENT KAVANAGH

R. P. Kavanagh, Institute graduate and formerly a New York State bank examiner, has been elected a vice-president of the Metropolitan Trust Company of New York City. Mr. Kavanagh has for some time been manager of the Metropolitan's Fifth Avenue office.

SAVANNAH CHAPTER

The first meeting of Savannah Chapter, for this season, was held November 13 at the Board of Trade rooms. Charlton G. Ogburn, our instructor, outlined the course of study to be pursued and announced that classes will be held Tuesday and Thursday evenings. The outlook is very encouraging. The Institute standard study course in "Banking" will be studied this term. The following officers have been elected for the ensuing year: President, D. W. Andrews, Citizens Trust Company; vice-president, E. E. Wright, Hibernia Bank; secretary, G. L. C. Hunter, American Trust Company; treasurer, W. P. Dowling, Germania Bank.

PHILADELPHIA CHAPTER

Notwithstanding the trying conditions through which we are passing and their accompanying demands upon the time and efforts of our members, the educational work is progressing steadily. The class in elementary banking, which is a new undertaking, has proved unusually attractive, having an enrolment of over 300, a large percentage of whom are young women, and we are fortunate in securing for instructors Freas Brown Snyder and O.

Howard Wolfe, who are national figures in Institute educational work. This class has caused quite an impression on the Philadelphia bankers to the effect that they are considering favorably the plan of establishing, through the chapter, a part-time school of banking for new employees, and definite announcement will be made shortly as to the plan adopted. Our other classes, "Banking" A and B, "Commercial Law," and post graduate, are attracting an excellent average attendance, and though the public speaking and debating section lacks in membership in comparison to the other classes, there is no lack in enthusiasm. On October 19, R. W. Saunders, assistant cashier, National Bank of Commerce, New York, addressed us on "The Comptroller's Call—What It Is and How the Statement Is Prepared." Mr. Saunders showed a thorough familiarity with this very important government report and his analysis was clear and concise. Charles P. Blinn, Jr., vice-president Philadelphia National Bank, addressed us on "War Financing by Belligerent Nations." Mr. Blinn has devoted considerable thought and study to the subject of the manner in which nations at war are financing themselves, not to speak of a practical application of his knowledge in active participation in government war loans, and he made his subject particularly interesting. In addition he impressed on those in attendance that the well informed banker in the future must consider business problems from an international standpoint. On November 23 Francis Chapman, Esq., will speak to the chapter on "The 1917 Changes in the Law of Decedent's Estates in Pennsylvania." This will be of especial interest to trust company men. We are continually losing valuable men through enlistments in war service, but our consuls are adding new members, thus offsetting our losses, in a measure.

H. St. Claire Ash

INSTITUTE BLOOD

Ralph Croy, one of Buffalo's original Institute men, has been elected a director and vice-president of the Bank of Buffalo. August J. Duerr, another Institute veteran, is now assistant cashier of the same bank.

ALBANY CHAPTER

Albany Chapter has made a fine start on the educational course for the year and especial interest has been shown in the elementary course for beginners, which is being conducted by graduate members of the chapter. These meetings are being well supported by the young ladies who work in our various institutions. At the open meeting held November 8, Thomas Hun, a prominent local attorney, gave us a most interesting and instructive talk on the "New War Income Tax," which appears to be a very complicated piece of legislation. At the annual adding machine contest held at the National Commercial Bank, October 15, Herbert Kneip of that bank broke the world's record by listing 150 checks in two minutes seventeen and four-fifths seconds. Mr. Kneip is now entitled to the possession of the Burroughs' Cup, this being the second time he has successfully competed for it. The other prize winners were Walter Nelson, National Commercial Bank of Albany, William Williams, National State Bank of Troy, and Paul McClintoch, First National Bank of Albany. Halsey W. Snow, Jr.

LANCASTER CHAPTER

Lancaster Chapter was organized April 20, 1917, with a membership of ninety-six. Philadelphia Chapter nurtured us and kept us supplied with good speakers until the close of the season. In the fall, we opened up with 111 members. We instituted a text-book class of over half the chapter, selecting "Commercial Law" as the initial study. F. Lyman Windolph, Esq., of the Lancaster bar, is our very able and inspiring instructor. We sent for sixty sets of text-books and fifty-eight members entered the class, several of whom have since gone into the military service. At our last general monthly meeting, held Friday, November 16, William H. Keller, first deputy attorney general of the commonwealth of Pennsylvania, gave us a virile address on the subject of "Some Changes in the Laws of Pennsylvania, as enacted by the Legislature of 1917." One senior officer present, who had heard many addresses delivered before the American Bankers Association, declared that Mr. Keller's address was of such caliber that it should be heard before one of the state or national bodies. Mr. Keller, coming direct from the attorney general's office, enlightened the chapter in regard to some very vital and fundamental changes in Pennsylvania law, which will be effective January 1, 1918. He dwelt particularly upon those changes affecting banks, trust companies, insurance companies, building and loan associations, decedents' estates, and creditors. The chapter gave Mr. Keller a cordial vote of thanks for his time and services. Our next chapter meeting will be held Friday, December 21; "War Taxes" will be the theme and our local internal revenue department will be drawn upon for a speaker to clarify some of the intricacies of this rather complex subject. Warren S. Rehm.

VAN DEUSEN

Wm. M. Van Deusen, Institute graduate and level-headed banker, has resigned the cashiership of the National Newark Banking Company to become assistant manager of the Mercantile Bank of the Americas.

BUFFALO CHAPTER

Buffalo Chapter is now engaged in what promises to be the most successful year in its history. At the opening meeting our president, Gordon B. Cleversley, outlined in a very able manner the program for the year's work; the various instructors were then introduced, after which Alva Dutton, secretary of Bankers Trust Company, presented diplomas to the graduates. The classes are at least 50 per cent. higher than in former years, and an increasing amount of interest is shown. The many friends of our former president, Godfrey F. Berger, Jr., who by the way was married last month, will be pleased to learn of his appointment as state bank examiner. He and Mrs. Berger are now living in New York city. On December 6 a theater party is planned, after which there will be a dance and luncheon at the chapter rooms. Henry Halm of Peoples Bank is chairman of the bowling league. He has arranged a fine program, and interest in this sport is already keen. The *Monthly Dividend* (our new paper) has been issued twice and is bright and newsy. All credit is due to the editor, Oliver Weppner. James J. Keenan.

SOMEWHERE IN FRANCE

J. W. Hauser, a member of Jacksonville Chapter serving with the American Expeditionary forces, wrote the following interesting letter, dated September 30:

"We reached here in France several days ago and have been hard at it, in overalls, ever since. This morning, after muster at 8:30, went over to Mass, held in one of the "Y" tents. The fellows, especially the Catholics, are keeping right up on the religion business, and the services, held as they are, in this military atmosphere, and in France, too, are most impressive I've ever witnessed. We're about a mile from a quaint old French city—get down town once a week. We're pretty well taken care of—our food is good, and we have all of it we can use. Personally, I've never felt better, nor have been more interested in what I'm doing."

What splendid spirit is manifested here! The Institute man—somewhere in France—what a thought it is! One cannot imagine that he will serve any other way but well. It is his country he is fighting for. The Institute man will give a good account of himself on the firing line, in the trenches and "over the top," and at home, too, where the opportunity is so great to support and sustain our men abroad, Institute men will be up and doing, to the morning hours of the night, for the silent, grim purpose of war, not only to make the world safe for democracy, but to make democracy safe for the war.

PORTLAND CHAPTER

Educational work principally is occupying the minds of the members of the A. I. B. this winter in the Portland Chapter; three nights a week being devoted to the different classes conducted by the Institute. Every Tuesday night is devoted to a lecture by Prof. J. Hunt Hendricksen in the regular Institute work in "Commercial Law"; Thursday night is allotted to the younger bank men; and Friday night set aside for the class in public speaking, under the tutelage of Prof. Prescott of the University of Oregon. Officers of the different banks of Portland are sacrificing evenings to address the younger bank men at the Thursday meetings, and notices are posted in the several banks urging the latter to attend. The subjects for discussion range all the way from elementary essentials to the Federal reserve system. Organization of the class in public speaking was perfected recently and arrangements are being made for the forming of debating teams among the members of this class. A number of members have signified their intention of entering the lists for the hard grind necessary to make these teams. We have received a number of letters from our fellow members at the front, together with photographs, indicating they are all in good health and spirits, and anxious to have a chance at the scalps of the Germans. Christmas boxes are being prepared by those remaining, to send to the boys, along with a word of good cheer and encouragement. The places of the absent ones are being taken principally by young women, who are rapidly adjusting themselves to the work required. Classes in the study of "Loans and Investments" have been organized at Salem and Eugene, and are now well under way. C. E. Ruppe.

CHATTANOOGA CHAPTER

The local chapter is passing through the throes which are incident to the study of contracts and "Commercial Law." Our class, while not as large in numbers as it should be, is moving along splendidly and the fellows are enjoying the work. The elementary class, under the leadership of Vance Holdam, an Institute graduate, is accomplishing a great work. This class is an innovation in the local program, and the success of the class from the start is indeed gratifying to those who are interested. The local chapter feels keenly the absence of a good many of the boys who have been called to "the colors"; but the ones who are left are valiantly trying to stimulate the interest and carry on the work as of old. Among the "old boys" now in the army are Chas. Tomlinson, H. T. Shelton, T. A. Thompson, C. H. Jerden, Frank Donovan, Carl Douglas, Key Ragan and Ambrose Ringwald, and others, of whom space will not allow me to make mention. The local chapter assisted materially in the campaign for the second Liberty Loan, and expects to aid in every way possible in the successful prosecution of the war. D. B. Harris.

BALTIMORE CHAPTER

Baltimore Chapter, at its monthly open meeting for October, had the opportunity of hearing the President of the Institute, R. S. Hecht, make an address on "What the Institute Stands For." It was the first time that many of us have had the pleasure of hearing him and we were all very much pleased with him; it is evident that the Chicago convention picked the right man for the job. Mr. Hecht is wide awake to the difficulties that all the chapters are going to have for some time to come, for the duration of the war at least, in keeping their membership interested and up to the previous standard. He even hopes to increase the membership of the Institute as a body, in which he is very optimistic. Baltimore Chapter has already found that there is rather a lack of interest and a tendency to pay less attention to chapter affairs than has formerly been the case, and this condition is more marked in the case of the younger men than hitherto. We are making a big effort to increase our membership this year and if we gain only a few members, compared to what other years have added, we shall consider ourselves very fortunate. It is a matter of regret that we have had to make some new arrangement about the monthly Journal-Bulletin; but we understand that every chapter is up against the same proposition. After all consideration had been given to the situation it was brought before the chapter at an open meeting and voted upon. As a result we have discontinued including a subscription to the Journal-Bulletin with the payment of each member's dues and left it up to the individual whether or not he will continue to receive it. This, of course, will cut down the number of subscriptions to a very large extent, and we have an idea that many other chapters will meet the situation in a similar way. The A. B. A. is no doubt going to save a lot of paper and printing—but the chapter is going to save some money that probably was wasted. Many members did not read the Journal-Bulletin as carefully as they ought to have read it and consequently are not really acquainted with its merits. Those of us who do read it may continue to do so at a small cost, and so everybody is happy. Everyone is so busy here, the banks are so oversupplied with business and there is such a dearth of men that it is a difficult thing to expect all of us to come out to the classes. Night work is more or less the rule in nearly all the financial institutions, owing to such a large number of men having gone off into other occupations, principally in service, and that accounts for the smaller number at the classes this year. However, we have seventy-five enrolled in the "Commercial Law" class, which is pretty good, we think. Other classes are not doing so well, but we hope to improve in the next month or so.

GEORGE G. REQUARD.

NEW YORK CHAPTER

Two months have not elapsed since the fall activities of New York Chapter were initiated. Much has happened within that period. The second Liberty Loan campaign began and ended and has gone down into the pages of history as a glorious success. New York Chapter feels justly proud of the many of its members who took an active part in that campaign, rendering a worthy service to their country. Many more of the chapter's members have joined the colors since our last writing. We feel the loss of these members, but they go to perform a greater service. A service flag is now being made in honor of those gone. The educational program is being carried out splendidly; the students displaying energy and enthusiasm to a marked degree, and keeping up their attendance despite the performance of arduous daily duties. The committee, composed of past presidents of this chapter, reported at the meeting of the board of governors, held November 13, its selection for president of New York Chapter, succeeding A. F. Maxwell, the name of H. R. Kinsey, assistant comptroller Williamsburg Savings Bank, Brooklyn. The report of this committee was unanimously confirmed by the board and Mr. Kinsey was installed as president. Our new president needs no introduction to the members of the Institute at large, as he has attended the conventions regularly. He has labored unceasingly for the progress of the chapter, and through long service has acquired a fund of knowledge concerning chapter affairs which will stand him in good stead throughout his term of office. On November 28 our general forum held an informal dinner at the Hotel McAlpin, at which about 300 of the older members gathered. The speaker of the evening, who was also the guest of honor, Charles A. Hinsch, President of the American Bankers Association, spoke eloquently concerning that great organization, the "A. B. A." We are happy to have had the privilege of listening to Mr. Hinsch. The trust company forum held a highly successful meeting on November 15, at which the members were privileged to hear Frank W. Blair, president of the Trust Company Section of the A. B. A. and president of the Union Trust Company of Detroit, speak on the subject "The Growing Value of Modern Trust Companies." Edwin Gibbs, assistant secretary of the Farmers Loan & Trust Company, spoke on the "Income Tax," and George E. Allen lent his genial presence. On November 14 several hundred of the members listened to a very interesting address by Bayard Swope, city editor of the New York *World*, on "Germany Under War Conditions." Mr. Swope has spent considerable time in Germany since the beginning of the war, and was in a peculiar position to speak authoritatively on the subject. The annual Christmas rally will be held this year on December 21, and promises to be an unusual attraction. W. H. Kniffin has resigned as vice-president of the First National Bank, Jamaica, N. Y., to become vice-president and manager of the Bank of Rockville Center. W. M. Van Deusen, formerly cashier of the National Newark Banking Co., has left that institution and is now assistant manager of the Mercantile Bank of the Americas.

ADOLPH F. JOHNSON.

NEW ORLEANS CHAPTER

Our "Law" class has 116 members enrolled, and the attendance is keeping up very satisfactorily. We always have an attendance of over 100. Tulane College of Commerce and Business Administration also has about fifteen enrolled. It has been a long time since we have had such a large enrolment and average attendance. We are also conducting an elementary banking class for the juniors, which, however, I regret is not being attended as well as it should. We have only twenty enrolled and have an average attendance of about ten. The public speaking class has ten members. We meet every two weeks and have eight in attendance usually. We have not started the forum as yet, but hope to be able to do so shortly. We now have a membership of 300, which represents an increase of fifty since May. NORBERT B. HINCKLEY.

JACKSONVILLE CHAPTER

The activities of Jacksonville Chapter are confined almost entirely to a study of the subjects provided by the Institute, meeting each Thursday night at half-past seven, at our office in the Chamber of Commerce building. We are this year pursuing the study of Part II (Law) of the Institute study course, and have secured the services of Donald Springer, attorney of Jacksonville, as instructor. Mr. Springer was also our instructor in 1915, and under his excellent guidance a number of the students successfully passed the examination at the end of the term. We have a splendid chapter this year—larger than ever before; attendance at the meetings is large, and every member appears deeply interested and determined to master the subject. We hope to be able to form a class in debate and public speaking in a short time. A few weeks ago Geo. R. DeSaussure, vice-president of the Barnett National Bank, delivered to the class a lecture on the subject of "Patriotism," and we expect to have other lectures from time to time by prominent business men and attorneys of the city. JOHN R. HILL.

BIRMINGHAM CHAPTER

We have already started our study class in "Banks and Banking," a number of men being enrolled. On November 14 we had our general meeting. Honorable Albert Latady addressed the chapter on "The Development of Commercial Usages and the Significance of Commercial Terms," the very use of which is, unfortunately, on the decline, owing to the lack of appreciation thereof. Mr. Latady was in fine form and handled the subject in great style, stating that one of the most unfortunate tendencies of the times is the tendency to play bankrupt with terms, and to substitute therefor a species of "Volapuck" which does not convey to the mind the correct impression of what is meant. He stated that he did not propose to restore the terms, but to impress on the chapter somewhat of the spirit of these perfectly correct usages, for as wealth and credit increase, that spirit must be revived. This address was much enjoyed by all, after which refreshments and cigars were served, intermingled with music furnished by some of the boys.

W. W. CLAYTON.

THE FLAG

It speaks sublimity, and every part has a voice. Its stripes of alternate red and white proclaim the original union of thirteen states to maintain the declaration of independence. White is purity, red, for valor; blue, for justice.—*Chas. Sumner.*

NASHVILLE CHAPTER

Nashville Chapter this year expects to do some good work, although we do not anticipate having as large a membership as that of last year. We are conducting a class in the standard study course, taking up this year "Negotiable Instruments" and "Commercial Law." This class is conducted by Chas. L. Cornelius, a prominent local attorney, and we expect the students to derive great benefits from same. We are also installing a class in elementary banking, to be conducted by one of the local bank men of experience and anticipate enrolling twenty or thirty of the younger boys in that class. We are not attempting any other classes this year to date, although, if the circumstances permit, we intend having a class in public speaking. E. R. HARRISON.

LOS ANGELES CHAPTER

The usual routine of study and quiz continues in our four study courses. However, on last Saturday evening a slight variation from the above was indulged in by Mr. Healy, our president, and Mr. Tappaan, head of our "Law" school class. On that evening their labor consisted of a pilgrimage in the interests of the national organization. Their journey lay across the desert sands to Riverside where they addressed a meeting of the Riverside County Bankers Association. Mr. Healy gave a general outline of the work of the national A. I. B., while Mr. Tappaan gave them an idea of the purposes and results of the Los Angeles Chapter. We trust that Riverside was converted by these two good missionaries and that California will thereby boast of one more chapter. "Trust and Escrows" digressed from the prescribed course of lectures long enough to become thoroughly overwhelmed with war tax rates and problems. The public speaking course was able to offer several men in the "talking" parts of the second Liberty Loan drive, while sixty-five A. I. B. men participated in the house-to-house canvass conducted here. H. Demarest of the California Savings & Commercial Bank has been elected assistant to the president of the First National of Whittier and will soon assume his new duties. Los Angeles Chapter gives him its best wishes. Mr. Tappaan's embryo lawyers continue their studies with unabated zeal and he makes them like it while they sweat and grind, which shows the master hand. (Mr. Tappaan weighs 198 in his stocking feet.) Owing to the shortage in paper, the class in economics will be handicapped somewhat in writing their theses. However, they now have reams and reams to their credit. J. D. COLES.

PERRY OF ALBANY

Gardner B. Perry, president of Albany Chapter, was elected vice-president and assistant to the chairman of the board of the National Commercial Bank of Albany, at a recent meeting of the board of directors of that institution.

PITTSBURGH CHAPTER

The first open meeting of Pittsburgh Chapter was held on Tuesday evening, October 9, in the chapter rooms, Keenan Building, at which time we had one of the largest and most enthusiastic gatherings ever present at our first open meeting. Our retiring president, Jean Phillips, reviewed the work of the past year and introduced Mr. Herrod, the newly elected president, who outlined in a very brief manner the work of the coming year. It was our privilege to have with us J. C. Thomson, vice-president of the American Institute of Banking, who gave us one of the most inspiring talks we have ever had the privilege of listening to from an officer of the National Association. Mr. Thomson spoke of the wonderful strides the Institute has made and the work it has planned to do this coming year. His talk was full of inspiration and enthusiasm, which is typical only of an Institute man. Alexander Dunbar, cashier of the Bank of Pittsburgh, N. A., gave a most inspiring talk on what the Institute is doing for the young men in the banks of our city, and at the close of his talk, he presented the diplomas to those who successfully completed the prescribed study course of the Institute during the past year. It was also our pleasure to have with us Dr. J. T. Holdsworth, dean of the School of Economics of the University of Pittsburgh, who addressed us on the subject: "Present Conditions in the World War." It is always a privilege to have Dr. Holdsworth with us for his subjects are always of unusual interest. Professor H. C. Kidd, of the University of Pittsburgh, outlined the educational work for the coming year, and at this time we are glad to report our classes are all under way and the attendance is above the average. Our class in elementary banking is being taught this year by H. E. Reed, assistant cashier of the Union National Bank, with an enrolment of thirty. Our class in current events and economics is being taught by Prof. H. C. Kidd and has a membership of seventy-five. The class in "Banking" is being held at the University of Pittsburgh, under the leadership of Dr. Holdsworth and, at the present writing, has over sixty chapter men enrolled. It is with much pride that we can say that we are looking forward to Pittsburgh Chapter having one of the best years in its history. D. A. MULLEN.

MEMBERSHIP CHANGES

REPORTED FROM OCTOBER 26 TO NOVEMBER 24, 1917

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The General Secretary of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL-BULLETIN.

Arizona	Ajo	Miners & Merchants Bank succeeded by Exchange Bank of Peoria, Peoria.
California	Lordsburg	First National Bank of Lordsburg now First National Bank of La Verne.
Colorado	Haxtum	Bank of Haxtum succeeded by First National Bank.
Connecticut	New Haven	Yale National Bank consolidated with First National Bank.
	Norwalk	Central National Bank succeeded by Central Trust Company.
Illinois	Minonk	C. R. Danforth & Co. succeeded by Minonk State Bank.
Kansas	Fort Scott	Kansas State Bank consolidated with Fort Scott State Bank.
Louisiana	New Orleans	Hibernia National Bank absorbed by Hibernia Bank & Trust Co.
Michigan	Port Huron	German-American Savings Bank changed to United States Savings Bank.
Minnesota	Clarkfield	First National Bank closed.
New Jersey	Lodi	First National Bank absorbed by Lodi Trust Company.
New York	New York	Broadway Trust Company and Branches succeeded by Irving Trust Co.
North Dakota	Fargo	Banking Business of Dakota Trust Company taken over by Dakota Savings Bank.
Oklahoma	Lenapah	Lenapah National Bank liquidated through Cherokee State Bank.
	Ponca City	Germania National Bank succeeded by Deposit Guaranty State Bank.
Pennsylvania	Philadelphia	Ridge Avenue Bank changed to Middle City Bank.
South Carolina	Columbia	Guaranty Trust Co. of South Carolina succeeded by Commercial Bank.
Tennessee	Chattanooga	Security Bank & Trust Company absorbed by Union Bank & Trust Company.
Virginia	Norfolk	Norfolk Bank for Savings & Trusts succeeded by Trust Company of Norfolk.
Panama	Colon	Bank of Canal Zone closed.
Hawaii	Wailuku, Maui	First National Bank changed to Bank of Maui.

NEW MEMBERS FROM OCTOBER 26 TO NOVEMBER 24, 1917, INCLUSIVE

Alabama
Bank of Cuba, Cuba, 61-281.

California
Bank of Ceres, Ceres, 90-565.
Banca Popolare Fugazi, Oakland, 90-18.
Guaranty Securities Corporation, Pacific Coast Branch, San Francisco.
Banca Popolare Fugazi, Santa Barbara, 90-160.

Colorado
First State Bank, Brandon, 82-217.

Connecticut
New Haven Chapter, American Institute of Banking, New Haven.

Florida
First National Bank, Plant City 63-242.

Georgia
Bank of Adel, Adel, 64-285.
Ambrose-Enigma Banking Co, Ambrose, 64-956
Bank of Bostwick, Bostwick, 64-830.

Illinois
The Citizens Bank, Frankfort, 70-1306.
Eaton State Bank, Owaneco, 70-1513.
Pana National Bank, Pana, 70-349.

Indiana
Dubois County State Bank, Jasper, 71-454.
Mohawk Bank, Mohawk, 71-1038.

Iowa
Security Savings Bank, Albert City, 72-1165.
Iowa State Bank, Atlantic, 72-214.
First National Bank, Bagley, 72-1186.
Farmers Savings Bank, Bernard, 72-1673.
Iowa Savings Bank, Fort Dodge, 72-84.
Iowa State Bank, Hull, 72-843.
Farmers Trust & Savings Bank, Milford, 72-1949.
Farmers Savings Bank, Percival, 72-1715
Walker Savings Bank, Walker, 72-961.

Kansas
American National Bank, Baxter Springs 83-1263.
Liberty State Bank, Liberty, 83-916.

Kentucky
National Bank of John A. Black, Barbourville, 73-229.
Bank of Lynch, Benham, 73-677.
Title Guarantee & Trust Co., Lexington, 73-11.
Farmers Bank, Turners Station, 73-618.

Louisiana
Noble State Bank, Noble, 84-217.

Massachusetts
New Bedford Morris Plan Co., New Bedford

Michigan
Bankers Trust Company, Detroit, 9 64.

Minnesota
First State Bank, Ironton, 75-1040.
First State Bank, New Brighton, 75 1047.
West Union State Bank, West Union, 75-1014

Mississippi.
Bank of Shaw, Shaw, 85-233.

Missouri
Citizens Bank of Gerald, Gerald, 80 1440.
Bank of Old Monroe, Old Monroe, 80-1146.

Montana
Farmers State Bank, Barber, 93-431.
Pioneer State Bank, Glentana, 93-335.
Great Falls Chapter, American Institute of Banking, Great Falls.
State Bank of Nashua, Nashua, 93-278.
First State Bank, Williams, 93-458

Nebraska
Wallace & Co., Bankers, Exeter, 76-280.
Wilber State Bank, Wilber, 76-1065.

New York
Lynbrook National Bank, Lynbrook, 50-784.
Central Trust Co., 42nd Street Branch, New York, 1-195.
Oswego County Savings Bank, Oswego, 50-210.

North Carolina
First National Bank, Albemarle, 66-616
Bethel Banking & Trust Co., Bethel, 66-312.
Bank of Rockingham, Rockingham, 66-206.
Bank of Whitakers, Whitakers, 66-469.

North Dakota
Security State Bank, Medina, 77-924.
Citizens State Bank, Sykeston, 77-382.
Pioneer State Bank, Towner, 77-900.
Citizens State Bank, Wales, 77-420.

Ohio
Corn City State Bank, Deshler, 56-687.
Tiffin Savings Bank, Tiffin, 56-254.

Oklahoma
Exchange National Bank, Ardmore, 86-57.
First National Bank, Boise City, 86-1073.
First State Bank, Bradley, 86-988.
Bank of Red Oak, Red Oak, 86-867.

Oregon
Bank of Jacksonville, Jacksonville, 96-122.
Bank of Moro, Moro, 96-204.
Live Stock State Bank, North Portland, 96-280.
Portland Branch, Federal Reserve Bank of San Francisco, Portland, 24-1.

Pennsylvania
Central Trust & Title Co., Erie, 60-77.
Hazleton Slavonic Bank, Hazleton, 60-236.
Farmers Trust Co., Lebanon, 60-278.
Shrewsbury Savings Institution, Shrewsbury, 60-1337.

South Carolina
Peoples Savings Bank, Clio 67-255.

South Dakota
Commercial State Bank, Platte, 78-128.

Tennessee
Washington Trust & Savings Bank, Bristol, 87-81.

Texas
Dallas County State Bank, Dallas, 32-61.
Kilgore State Bank, Kilgore, 88-1126.
First State Bank, Lamesa 88-873.
First State Bank, Purdon, 88-1244.

Virginia
First National Bank, Broadway, 68-321.
Farmers Bank of Oak Hall, Horsey, 68-496.
Middletown State Bank, Middletown, 68-397.
First National Bank, Richlands, 68-422.

Washington.
Yokohama Specie Bank, Ltd., Seattle, 19-74.

Wyoming
Manderson State Bank, Manderson, 99-89.
Peoples Bank, Moorcroft, 99-149.

Canada
Canadian Bank of Commerce, Calgary, Alberta.
Sterling Bank of Canada, Winnipeg, Manitoba.