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TOPICS OF THE MONTH

THE COMPTROLLER'S USURY CHARGES

IN reply to the resolutions of the Executive Committee of the National Bank Section of the American Bankers Association protesting against his allegations that national banks, in many instances, charge usurious rates of interest, the Comptroller of the Currency repeated with elaboration of detail the charges he had previously made. He took up particularly the assertion made in the resolutions that the usurious practices are confined "to some sections of the country and are not general." A typical paragraph from the Comptroller's letter will illustrate the manner of the argument whereby he undertakes to show that the excessive rates of interest are not confined to any particular section but are general:

When 2,743 national banks in forty-two states, covering ninety-eight per cent. of the total area of the continental United States, exclusive of Alaska, admit under oath that they are charging ten per cent. or more on some of their loans, and when 1,022 national banks in twenty-five states, which include seventy-four per cent. of the total area of the United States, exclusive of Alaska, also confessed that they have been charging on an average anywhere from ten per cent. to eighteen per cent. or more on all of their loans, is it not flying in the face of facts to suggest that the practice is confined even to a small area or to a few banks?

The 2,743 national banks in forty-two states, mentioned by the Comptroller, comprise approximately one-third of all the national banks, and 1,022 in twenty-five states comprise approximately one-seventh of all the national banks. Numerically speaking, therefore, the Comptroller fastens on one-third or one-seventh of national banks the charge of collecting excessive interest rates. But consideration of the question numerically is likely to be misleading. If it is the Comptroller's intention to make the allegation general he will have to consider banks according to capital and the amount of money loaned. In New York state there are nine guilty national banks out of 478. It is a fair assumption that the nine offending banks are small institutions which have a small part of the \$165,000,000 of capital and a still smaller proportion of the \$1,580,000,000 of loans and discounts. In Massachusetts there are three offending banks out of 170 and in Virginia there are five out of 136. In Georgia sixty-six banks out of 113 are offenders, according to the Comptroller. The capital stock of all the national banks in Georgia is only three-quarters of the capital stock of the Continental & Commercial National Bank of Chicago and the loans and discounts of all the national

banks in Georgia (\$62,000,000) are approximately equal to the loans and discounts of the Irving National Bank of New York. Of the ninety-two national banks in Alabama fifty-two are in the Comptroller's list as charging excessive interest rates. The capital stock of these ninety-two banks is approximately \$10,000,000, or identical with that of the First National Bank of New York. Their loans and discounts are approximately one-half of those of the American Exchange National Bank of New York. In Texas there are 168 national banks classed as offenders by the Comptroller. There are 537 national banks in Texas with a capital stock of approximately \$53,000,000, which is equal to that of the National City Bank and the National Bank of Commerce in New York combined, but their total loans are \$5,000,000 less than those of the latter bank alone.

Under comparisons which show the amount of business done it is plain that the statement of the Comptroller, so far as it relates to national banks in general, is misleading. It is within the range of possibility that the 2,743 national banks in forty-two states, covering ninety-eight per cent. of the total area of the United States, as mentioned by the Comptroller, do less banking business than the National City Bank of New York alone. It is possible that they do as little as a fraction of one per cent. of the total business done by national banks in the whole country and have a capital that bears about the same relation to the capital of all the national banks.

Until the Comptroller has reduced his statement to some form which will show the relative position of the offending banks in the banking world, he will be doing an injustice to the great majority of national banks which never violate the laws against usury or propriety, and usually lend money at rates of interest far below those forbidden by the statutes.

The Comptroller makes the matter of excessive interest rates geographically large by adding to his total the area of every state which has an offending bank. Virginia, as a whole, is included because there are five offending banks in that state. He treats other states in the same manner. The chief offenders, according to his compilations, are in the southern and southwestern states, where agriculture is the great enterprise and where the risk that attaches is unusually large. It is impos-

sible to defend the rates charged in many of the cases he cites under any circumstances, but his own figures show the justice of the contention of the National Bank Section that the practice is not general and is confined to particular sections.

THE FEDERAL ADVISORY COUNCIL

After a meeting held in Washington on November 16 the Federal Advisory Council made the following suggestions as to the amendment of the Federal Reserve Act:

1. That the work of the office of Comptroller of the Currency be absorbed and administered by the Federal Reserve Board.

2. That Section 24 of the Federal Reserve Act relating to loans on farm lands be amended to read as follows:

"Any national bank association not situated in a central reserve city may make loans secured by improved and unencumbered farm lands situated within its Federal reserve district, or in an adjoining district provided the land on which the loan is made is within one hundred miles of the office of the bank making the loan."

3. A reduction of two-thirds of the present paid-in capital of the Federal reserve banks, leaving the subscribed capital and double liability as now constituted.

4. That the Federal Anti-Trust Act be amended so that the second paragraph of Section 8 will read as follows:

"No bank, banking association or trust company organized or operating under the laws of the United States in any city or incorporated town or village of more than 200,000 inhabitants as shown by the last preceding decennial census of the United States shall have as a director or other officer or employee any person who may be connected in either of these official capacities with more than one other bank, banking association or trust company located in the same place; provided that nothing in this section shall apply to the mutual savings banks not having a capital stock represented by shares; provided further, that a director or other officer or employee of such bank, banking association or trust company may besides being an officer or director in one other bank be a director or other officer or employee of not more than one additional bank or trust company organ-

ized under the laws of the United States or any state where the entire capital stock of one is owned by stockholders in the other, and provided further, that nothing contained in this section shall forbid a director of Class A of a Federal reserve bank, as defined in the Federal Reserve Act, from being an officer or director, or both an officer and director, in one member bank."

5. That the Anti-Trust Act be so amended as to permit joint stock ownership by national banks or banks organized to do business in foreign countries through branches established therein.

6. That the National Bank Act be amended to permit the establishment by national banks, having an unimpaired capital of not less than \$1,000,000, of branches, provided that no branches are placed outside of the limits of the city where the bank itself is located.

Upon the request of the Board for the views of the Council as to whether Federal reserve banks can do anything with their member banks to discourage or put a stop to the present high rates of interest on demand deposits, the Council held that the rate of interest paid to the public on deposits is regulated by the accumulation, or lack of it, of wealth in the communities in which the banks do business.

The Council also passed the following resolution:

"That this Council is unalterably opposed to any provision whereby farm loan bonds described in the Hollis bill may become security for loans from Federal reserve banks and to their being made a basis for acceptances by member banks."

These recommendations by the Federal Advisory Council seem to be in harmony with banking opinion. The reduction in the present paid-in capital of the Federal reserve banks is recommended on the theory that further capital payments will not add to the strength of the reserve banks and will relieve them of the incentive to earn dividends. There is no necessity for giving the Federal reserve banks large earning capacity, and it has already been found that the obligation imposed upon them to earn returns on capital investment brings them into apparently unjustified competition with member banks. Whether or not this amendment is desirable is a matter of policy which can probably not be finally determined until there has been experience with the reserve system under

business conditions which have not obtained since it came into existence.

Legal permission for joint stock ownership by national banks of branches established in foreign countries has been thought desirable as a means to encourage the establishment of such branches. So far only one national bank has availed itself of the privilege of placing branches in foreign countries and one other is reported to have plans to that end. It is believed that many banks will enter into stock ownership of such branches in connection with other banks and that banking facilities would thus be extended and trade would be better served.

The proposal that national banks be allowed to place branches in the cities within which they operate is logical. By the absorption of a state bank with numerous branches, the Chatham & Phenix National Bank of New York found a way of avoiding the inhibition against such a practice. Obviously, if there is any legal method by which one national bank can have branches within certain limits any national bank should have the same privilege. Moreover, there is no longer reason why national banks should not have facilities of a kind permitted to the state banks with which they are in direct competition.

RESERVE ACT AMENDMENTS

It is beyond question that the Federal Reserve Act is not now in the form which it will retain indefinitely. Suggestions for its amendment come too frequently and are apparently too well founded to permit a conclusion that it is perfect. It does not follow, however, that amendments are desirable at the coming session of Congress. At the end of the first year of its operation many men who have given the new system the closest attention are unable to say whether or not changes should be immediately made. It would be better to make no change at all than to have the act torn to pieces. It is certain that there has been created an agency capable of performing the work intended. There will be no further panics due to a bad currency system. Business will not be stifled by a defective banking scheme. It is true that the machinery of the new act is too complicated and its operation is too expensive, but until it is known with exactness how this machinery should be changed it is probably better to let it alone.

The chief criticism of the act has arisen from the fact that the reserve banks have not yet been able to earn enough money to pay their expenses in every case. It is doubtful if any newly organized commercial bank could have done better. The reserve banks were admittedly over-capitalized. They have operated under conditions of exceptional commercial dullness. Since they began operations there has been an excessive supply of commercial funds. Under such circumstances it would have been a disgrace if they had earned dividends, as Mr. Warburg recently pointed out.

A strong argument against submitting amendments to the Reserve Act at the coming session of Congress is based on the uncertainties which must continue so long as the war in Europe lasts. The newspapers have published pictures of children playing in the streets of French towns where shells were exploding. Housewives have been photographed while attending to their duties in buildings in the line of fire. People soon become accustomed to even a dangerous situation. Even battles become commonplace. An economic adjustment which is based on a battle-line is not the safest. It will be impossible to plead lack of notice if there is a disturbance which dislocates the present adjustment and necessitates the utilization of the machinery which has been devised to maintain both our domestic and our foreign credit. The Reserve Act at this time is an important part of the protective machinery of the country. It is doubtful if it would be the part of wisdom to attempt to tinker it.

POLITICAL INTERPRETATION

The Federal Reserve Act may be altered by interpretation as well as by amendment. The opinion of the Attorney-General of the United States, rendered on November 22 last, as to the power of the Federal Reserve Board "to abolish Federal reserve banks or districts" is such an interpretation. It relates to a matter which is removed from technical banking, but more eloquently than any other interpretation of the act it shows the dangers of political manipulation and political interference with the orderly development of the reserve system.

The opinion of Attorney-General Gregory was rendered at the request of Governor Hamlin of the

Federal Reserve Board and Secretary McAdoo; the request was indorsed by the President.

The apparent desire was to have some legal confirmation of the work of the Organization Committee, which was responsible for the establishment of twelve reserve banks and the defining of twelve reserve districts instead of eight.

In respect of the number of districts the Attorney-General said that he was able to find nothing in the contemporary discussion of this subject which aided him in arriving at the legislative intent. This is undoubtedly true. As the bill for what is now the Federal reserve system passed the House it provided for the establishment of twelve reserve banks. The number of banks was a matter about which there was serious contention. The advocates of a smaller number than twelve were not strong enough to have the quantity reduced, but they were strong enough to have the phraseology of the bill so changed in the Senate—a change which was subsequently agreed upon in conference—that the number of districts should be "not less than eight nor more than twelve." This change in the phraseology necessitated the introduction into the paragraph of the following sentence: "The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all." From the phraseology, at least, the obvious intention of Congress was to have the Organization Committee create eight districts. This number was to be added to by the Federal Reserve Board when and if experience taught that a larger number would be better for the "convenience and customary course of business." That this was the exact meaning of the change was not doubted by anyone who was familiar with the discussion that attended the passage of the bill. In the bill as it passed the House the Federal Reserve Board was given the specific power to abolish districts or change the location of reserve banks on petition of a certain number of member banks, and this power to abolish and create new districts was plainly not intended to be changed by variation of words introduced in the Senate. The change contemplated was to take from member banks the power to initiate a movement for removing a reserve bank to a new location or to abolish a district and create a new one.

ABOLISHING THE COMPTROLLER

The Advisory Council's recommendation that the work of the office of Comptroller of the Currency be absorbed and administered by the Federal Reserve Board is not a new one. It was immediately seized upon by the political writers as indicating the hostility to John Skelton Williams, who happens at this time to hold the office of Comptroller of the Currency. The newspapers accredited to officials in the Treasury Department a free expression of opinion that the bankers were not as much interested in abolishing the office as the officer. It was further asserted that the officials of the Riggs National Bank, which has brought suit against the Comptroller, had used their influence with the Federal Advisory Council to secure the recommendation mentioned. This is all very flattering to Mr. Williams. He is, however, not such an important factor in the banking world as these reports would indicate. Mr. Williams has been an annoyance to bankers in a petty way and it would be beside the truth to say that he is popular. He is merely an ephemeral factor which time will remove in any event.

The desire for the abolition of the office of Comptroller lies much deeper. A new system of banking came into existence on December 23, 1913, and into active operation on November 16, 1914. In this system there is no place for an official position which was created to meet the requirements of another and radically different banking system. It is plain enough that if the new system has a new kind of controlling mechanism, the mechanism which controlled the old system is out of place. If the Federal Reserve Board is to be the controlling instrumentality it should assume all the responsibilities which control imposes upon it. The Federal Reserve Board has powers very much greater than those given the Comptroller of the Currency and yet, in certain matters, which parallel or duplicate the powers of the board, the Comptroller is independent. If the Federal Reserve Board is not competent to manage the banking system of which it is the head a new form of management should be provided. If it is competent it is not necessary to have another functionary operating independently of the board and to the same purpose. All of which was obvious so long ago that the suggestion for the abolition of the office of Comptroller was made in these columns last January.

It is immaterial whether the office of Comptroller of the Currency is abolished during the period of the incumbency of John Skelton Williams or at some later time. It will be abolished, and for no other reason than that it is unnecessary and obsolete.

GOVERNMENT DEPOSITS

Secretary of the Treasury McAdoo announced on November 24 that he had determined to appoint the Federal reserve banks as depositaries and fiscal agents of the Government. Mr. McAdoo has taken this action in accordance with the provisions of the Reserve Act, which permit him to deposit moneys held in the general fund of the Treasury in Federal reserve banks and to require those banks to act as fiscal agents of the government. The following letter, announcing his decision in the matter, was sent by the Secretary of the Treasury to the Federal Reserve Board:

In accordance with the provisions of Section 15 of the Federal Reserve Act, which provide that "The moneys held in the general fund of the Treasury * * * may, upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States. * * *" I have determined to appoint the Federal reserve banks depositaries and fiscal agents in the manner thus indicated by the act. In order that the reserve banks may not be embarrassed by the addition of an unduly large volume of business upon undertaking their functions in this connection, I have decided to make a beginning by transferring to each of the Federal reserve banks the funds of the government now on deposit with the national banks in each of the cities in which a bank is located, thus giving to each of the reserve banks the funds held by the national banks in its own city. Each Federal reserve bank will be required to perform on behalf of the government the services which are now rendered by the national bank depositaries located in said cities, as well as any other services incident to or growing out of the duties and responsibilities of fiscal agents.

May I ask you to co-operate in carrying out the provisions of the Federal Reserve Act in this regard and to take any and all steps that may be desirable to perfect such arrangements by the Federal reserve banks as will enable them to fully and satisfactorily perform these functions from and after January 1, 1916, the date on which it is my purpose to make the proposed arrangements effective. I have designated Hon. William P. Malburn, Assistant Secretary of the Treasury in charge of the fiscal bureaus, to act for the Treasury Department in carrying out the details so far as this Department is concerned. I have deferred action until this time in order that the organization of the Federal reserve banks might be completed and gotten into good working order through experience and practice, and with the hope that a satisfactory clearing and collection system would, by this time, have been evolved. I feel convinced, however, that I should not longer delay giving these banks the opportunity of performing these services for the government and enlarging their field of usefulness.

The decision of Secretary McAdoo to deposit government funds in the reserve banks and to make these banks the fiscal agents of the government is the result of the exercise of the discretionary power conferred upon him by the Federal Reserve Act. His announcement indicates that he will begin to make use of the reserve banks in January in a small way. This use may be developed to a maximum later. But whatever is done and to whatever extent the use of the banks as depositaries and fiscal agents of the government grows, the section of the law, under which the Secretary acts, is as vicious and objectionable as it was before. The Secretary will still be in absolute control of the situation and he may withdraw the funds and cancel the authority of the banks to act as fiscal agents. It is no criticism of Mr. McAdoo and there is no intention to impugn his motives or consider his personality in reviewing the situation. In the report of Chairman Glass of the House

Banking and Currency Committee, which accompanied the House bill, Mr. Glass said: "A very large share of responsibility for the past panics and crises of the United States must undoubtedly be assigned to the Treasury system which has been responsible for this sporadic and spasmodic movement of funds. In unskilled or selfish hands, the power thus bestowed upon the executive branch of the government may be, as it has at times become, most dangerous to the public welfare, while it is always a source of grave responsibility and danger scarcely to be overestimated in its importance."

The fact that the banks are to be used by the Government as was intended in every proposed measure of banking reform, except in that which was made by the Senate, makes no change in the dangers potential and conceivable. Everything that has been said in criticism of the lodgment of this power in the hands of the Secretary of the Treasury is still true.

A. D. W.

TERRITORIAL VICE-PRESIDENTS

President James K. Lynch of the American Bankers Association announces the appointment of the following territorial vice-presidents:

Alaska Sidney Anderson, cashier Bank of Seward, Seward.
 Canal Zone..... A. G. Clapham, president Commercial National Bank of Washington, D. C., branch, Cristobal.

Hawaii S. M. Damon, Bishop & Company, Honolulu.

Philippine Islands... D. Garcia, cashier Bank of Philippine Islands, Manila.

Porto Rico..... Burt O. Clark, manager American Colonial Bank, branch, Mayaguez.

YEAR BOOK READY FOR DISTRIBUTION

By the time this issue of the JOURNAL-BULETIN reaches the hands of readers there will be well on its way to members of the American Bankers Association the bound volume of proceedings of the annual convention at Seattle. To compile this book, have it printed, bound and delivered within three months from the date of the convention is a task of no little magnitude, when the great care necessary in its preparation is considered. In form and general appearance the volume is similar to its predecessors. It contains 740 pages, several

photogravure portraits, and a comprehensive index providing a ready means of finding any desired data. In the production of this volume 51,500 pounds of paper were used, 1,150 yards of cloth, 12,000 feet of leather, 250 pounds of ink, and sundry other materials too numerous to mention.

The task of distributing the edition, which consists of 15,000 copies, has been allotted to the three big express companies doing business in New York City and one local despatch company.



Nation - Wide Thrift Campaign by the American Bankers Association to Mark Savings Bank Centennial

Outline of the Plan Whereby Co-operation is Sought on the Part of all Banks and Bankers—Text-Book for the Campaign—Y. M. C. A. and Other Organizations Ready to Help—Prominent Men to Serve on Centennial Advisory Thrift Commission—What Some Bankers and Thrift Workers Say About the Savings Bank Situation.

THE first savings bank in the United States was established in 1816. The advent of this institution came with the era of commercial and industrial expansion. It came when the population of the United States was only 9,500,000, and there were but 246 banks in the country. By 1820 ten of these savings banks had been established with 8,635 depositors and aggregate deposits of \$1,138,576.

Prosperity came, the people saved and the deposits in these great reservoirs of capital, which now number 2,100, by leaps and bounds increased to enormous proportions. To-day, with our national wealth approximating \$187,000,000,000 and almost one hundred millions of people in the country, we have about \$4,700,000,000 in the savings banks belonging to ten and a half million depositors. This may seem an amazing sum of capital and number of depositors, but when a comparison is made with other countries and a balance is struck it is found the United States is near the end of the list in the percentage of savers to population.

The possibilities for the greater promotion of habits of thrift and saving among people are indeed extraordinary. With remarkable opportunities in the United States for increasing foreign trade; with bumper crops in every section of the country; with gold pouring into the coffers of the banks; with every appearance of unprecedented future prosperity, the fact is apt to be disregarded that the other great commercial nations of the world are involved in a war of frightful destruction and economic waste; that after the war these nations will need funds for reconstruction and the United States will be called upon to supply them; that for some time to come this country will not be able to secure capital, as in the past, from France and Great Britain, for the purpose of carrying on new enterprises. The United States must finance itself.

No fear need be had for the immediate future, but it is inevitable that the time is coming when this country must meet the test of financing practically the entire world. Preparations are being made for defense in the event of war; preparations should also be made for peace. Adequate credit machinery can be developed and perfected, but it will assuredly require a sufficient amount of capital to maintain properly and keep in good running condition this credit machinery.

How is this capital going to be secured? Through education; by calling the attention of the people to the lack of thrift in the country, and the beneficial results of practising thrift; through a systematic nation-wide campaign to promote thrift and saving. It surely is to the interest of all citizens, whether banker or business man, editor or professional man, to be a party to such a movement.

In 1916 the American Bankers Association through its Savings Bank Section will celebrate the completing of a century of savings banking in this country by conducting a systematic, nation-wide thrift campaign. Preparations have been made; the organization has been completed, and the campaign will open January 1st.

How Conducted

First: The campaign will be conducted in sixty-two cities of the United States, each with a population of over 25,000, through the Chapters of the American Institute of Banking located in those cities.

Second: In a great number of smaller cities and towns through banks, members of the American Bankers Association.

Third: In the states through the secretaries of the state bankers associations.

Fourth: In co-operation with the Young Men's Christian Associations, the Young Men's Hebrew Associations in all parts of the United States. The Young Men's Christian Association, through its International Committee, is planning a very extensive and comprehensive campaign in 600 or 700 cities.

Fifth: In co-operation with the National Civic Federation among the industrial workers of the United States.

Sixth: In co-operation with the National Americanization Committee among the immigrants; to teach them to distinguish between a private immigrant bank and a bank with strict government or state supervision. To distribute to these people short talks on thrift in their own language.

Seventh: In co-operation with the postal savings system, which receives deposits mostly from foreigners. These foreigners know nothing of American customs; and being accustomed to government savings banks in their own countries, have faith enough to deposit their funds in our post-office banks. They will in time be educated to understand the safety of money in a savings or commercial bank. Meanwhile, their money will be kept in this country instead of being sent abroad.

Eighth: In co-operation with the Bureau of Commercial Economics, Washington, which will supply lec-

tures and motion picture films to any part of the country to be used for thrift meetings.

Centennial Advisory Thrift Commission

As an aid and to lend prestige to this great movement, a Centennial Advisory Thrift Commission has been formed, composed of a number of the most prominent men in the United States. Among those who have already accepted are: William E. Carson, Hugh Chalmers, R. V. Covington, C. H. Ellis, John V. Farwell, James B. Forgan, Lewis B. Franklin, Cardinal Gibbons, James A. Green, Herbert F. Gunnison, C. M. Harger, A. J. Hemphill, A. B. Hepburn, Myron T. Herrick, Geo. S. Johns, William E. Knox, Emerson McMillin, George A. Mahan, J. K. Orr, Eugene Lamb Richards, George E. Roberts, Edward L. Robinson, William A. Scott, William Sproule, William H. Taft, Frank Trumbull, Charles B. Warren, Sol. Wexler, Charles S. Whitman, Edward A. Woods.

Text-Book for the Campaign

In order to secure some degree of concerted action, it is necessary that those conducting campaigns use practically the same material. With that end in view, the American Bankers Association, Savings Bank Section, has prepared a text-book containing all the necessary information for directing the campaign. The book will be sent to any one upon request.

A Danger to be Avoided

In pushing this campaign, banks and bankers must necessarily take an attitude that will put them above any suspicion of self-interest. There is a danger that the very people whom it is desired to reach in this thrift campaign may get the impression that the banks favor saving on the part of the people in order to secure their deposits. Such an impression would be sufficient to kill interest in the plan. Saving upon the part of this class will not only be of actual benefit to them, but will also insure against political and labor troubles, radical and socialistic legislation, etc. As a means of showing their good faith, banks in the smaller communities could offer free aid to thrift clubs and committees on thrift work, giving the use of a bank room for meetings and allowing some officer of the bank to act as treasurer or secretary.

Competition among banks for savings accounts should be eliminated so far as possible. This applies particularly to the smaller cities where there are three to five banks to receive savings deposits. For instance, a citizen in a small town in Ohio decided to urge the establishment of a school savings system and placed the proposition before a bank. The cashier rose to the occasion and the matter came up before the local school board. When the other four banks heard about it, opposition ensued, as all wanted the school account. As a result, the entire scheme fell through. A broader attitude on the part of the banks would have paid in the long run and would have benefited the entire community.

The A. I. B.'s Part in the Campaign

This campaign is being conducted through the Chapters of the American Institute of Banking, and with the co-operation of the Young Men's Christian Associations, because it is realized that it is the young men who must

face the problems of the future. By taking advantage of their opportunity, they will serve themselves primarily, and in addition improve their future economic and social condition and exercise a corresponding influence upon the world's progress.

In the large cities where Chapters of the Institute are located the campaign will center in the Chapters. The Chapters have formed Public Affairs Committees composed of from three to eight men who will be actively in charge of this work, acting in co-operation with the Young Men's Christian Associations. Each Public Affairs Committee in turn will establish a citizens' committee composed of prominent men from various walks of life, the editor of the leading newspaper, representatives of all religious denominations, a leading member of the bar, two bankers and the chairman of the Public Affairs Committee. One of the bankers will be chosen as chairman of this citizens' committee and the Chapter will then organize a speakers' bureau containing from ten to twenty-five speakers. Their names are to be printed in a circular and distributed throughout the city to associations, clubs, churches, etc.

School Savings Systems

The establishment of school savings systems in Chapter cities is an important part of the campaign. The Chapter need merely inaugurate this, organizing a committee composed of the principals of the various schools, with the superintendent of schools or the head of the school board as chairman. As an aid in this work, the Savings Bank Section of the American Bankers Association will, upon request, send pamphlets describing school savings banks and outlining five practical plans for their operation.

Publicity is an important part of the work of the Public Affairs Committee. The newspapers should be interested and several public meetings arranged under the auspices of the Chapter. By applying to the secretary of the Savings Bank Section a sufficient time in advance of the meeting an illustrated lecture with motion pictures can be secured through the Bureau of Commercial Economics, which is co-operating with the American Bankers Association in this campaign. In addition, the thrift talks issued by the Savings Bank Section should be distributed in the schools and also regularly printed in one of the newspapers. It would be a good plan to have these talks read in the classrooms once a week after they are printed in the newspapers. Any number of sets of talks will be sent each month to Chapters requesting them.

It must be understood, of course, that the Chapters are at perfect liberty to add to the campaign in their respective cities any thing that will give local color. The material issued by the American Bankers Association is meant merely to encourage, and to outline the general scheme.

The Institute has a thorough organization for this work. The Institute Public Affairs Committee will establish a committee in each Chapter, which will have charge of conducting the campaign. It is also the duty of this committee to maintain the interest of the Chapters in the thrift propaganda, receiving monthly reports

of work accomplished. This committee of the Institute is composed of the following: Frank W. Bryant, chairman, Second National Bank, Boston; Carl W. Alenderfer, First National Bank, Kansas City; William A. Day, Savings Union Bank, San Francisco; Freas B. Snyder, First National Bank, Philadelphia; R. S. Hecht, Hibernia Bank & Trust Company, New Orleans; Alfred W. Hudson, First National Bank, Syracuse; M. B. Keith, Security National Bank, Dallas; Thomas H. West, Ladd & Tilton Bank, Portland, Ore.

A Committee on Thrift Work has also been appointed, which will get in close touch with the Chapters, advising them as to the conduct of the campaign, giving them information and encouraging them generally in the work they do. The Institute has been fortunate in securing as chairman of this committee a man who has had considerable experience in conducting campaigns and thoroughly understands the work the American Bankers Association has done in the past in promoting thrift, as he was the creator of most of it. His committee is composed of some of the best the Institute has: E. G. McWilliam, chairman, Security Trust & Savings Bank, Los Angeles; Daniel P. Clifford, Home Savings Bank, Toledo; Alexander Dunbar, Bank of Pittsburgh, N. B. A., Pittsburgh; James D. Garrett, Central Savings Bank, Baltimore; Ralph A. Newell, First National Bank, San Francisco; William A. Nickert, Eighth National Bank, Philadelphia; H. V. Alward, Great Falls, Mont.

State-Wide Campaigns

The state bankers associations will push the campaign vigorously. During the past month Wisconsin has been conducting a thrift campaign with considerable success, and it is merely a beginning. The state associations will offer prizes in different localities throughout the state for the best essays on thrift, for the best thrift slogans, the best phrases, and the best definitions of thrift. It is expected that the secretaries of the state associations will keep in close touch with the Savings Bank Section in devising some plan for a state-wide campaign.

The Arkansas Bankers Association, at its last convention, appointed a committee with Moorehead Wright as chairman. Mr. Wright is already doing most effective work. In the south, only sixty people out of every thousand are savers, which compares most unfavorably with New England's sixty out of every hundred. Mr. Wright is encouraging three-day thrift campaigns and the establishment of school savings systems in the smaller towns.

George D. Bartlett, secretary of the Wisconsin Bankers Association, and a member of the Wisconsin Thrift Commission, is mailing each month to the banks in the state, 850 sets of Thrift Talks issued by the American Bankers Association. George H. Richards, secretary of the Minnesota Bankers Association, is sending out 1,150 of these sets each month accompanied by letters to the bankers stating how these articles may be used, and encouraging them generally to take up the thrift propaganda. These are merely two specific instances, but the secretaries of all the state associations are live wires and there is no doubt that their active support will be forthcoming.

Young Men's Christian Association

From the International Committee of the Y. M. C. A. splendid support can be expected. Through their six hundred or more associations in the United States vigorous co-operation will be secured. Already they have four thrift exhibits being shown in different parts of the country—one in the Carolinas, another in Ohio; further West and in New England. This work is being helped financially by the American Bankers Association.

A crown of success awaits this nation-wide campaign of thrift and there is no doubt that it will result in awakening in the people of the United States a new sense of their responsibility. The realization of the object of the thrift campaign means a greater and more splendid country; industries more efficiently managed; better farming; better housekeeping; better business; better banks; better everything.

SCHEDULE FOR THRIFT EXHIBIT

The thrift exhibit of the Savings Bank Section which is being shown in a number of Y. M. C. A.'s in the United States has been making splendid progress. In one city last month 2,200 school children attended meetings where the exhibit was shown. During the months of December and January the exhibit will be in the following Pennsylvania cities:

December

10-13	McKeesport.
13-15	Wilmerding.
16-18	Pittsburg Central.
20-22	New Castle.
23-25	Butler.
27-29	Johnstown.
30-Jan. 2	Wilkes-Barre.

January

3-6	Philadelphia.
7-9	Coatesville.
10-12	Pottstown.
13-16	Reading.
17-20	Lancaster.
21-25	York.
25-27	Tyrone.
29-Feb. 1	Renovo.

PROMOTING THRIFT AMONG INDUSTRIAL WORKERS

By GEORGE COFFING WARNER

"Industrial saving means saving among the workers—thrift, which begins with the saving of money. Today the unparalleled loss, destruction and waste being caused by the European war makes saving more necessary and more advantageous than ever before. The man who saves money now has unusual opportunities to invest it to his personal advantage; also, he is rendering a service to society, because many necessary works of construction and reconstruction can only be undertaken if increased savings are available; and unless such work is done, a corresponding amount of labor will be unemployed.

The saving of money is the first step to economy, independence and character building. A person who saves money is a better and more stable citizen. If he thinks a change desirable, he is apt to favor it by evolution rather than by revolution. We must remember that in this country a majority of the voters pay no direct tax except a poll tax. We must expect a great increase in radical and socialistic legislature as a result of the European war. The best insurance we can provide against this is to help the people to save, afford them facilities to become small capitalists, and let them know of the opportunities for safe and profitable investment of their savings; and then they will commence to look at things from the standpoint of the owner of property.

In France before the war it was reported that there were fifteen hundred thousand owners of government bonds, each of whom had an annual income from such bonds of four dollars a year or less. In France every one puts aside a little money each week for savings just as faithfully as for the payment of rent. But in this country comparatively few people save systematically. Few realize how rapidly small savings will accumulate if systematically made.

A Substitute for a Branch Bank

Many workers find it inconvenient to get to a savings bank to make their deposits. Perhaps it means leaving their work during business hours; perhaps it means paying car fare going to and from the bank, which car fare may seem an undue expense in view of the small amount available for deposit; so the money remains in the pocket until spent. The average worker, if he has a family, has many uses to which he can put all of the money he earns, and there is no one to remind him continually that in his budget there should be an appropriation for savings. To meet these difficulties, some business men are notifying their employees that if they wish to do so they can leave an order with the bookkeeper instructing him to deduct a specified amount from the pay roll each week or each month and to deposit it in a specified bank to the credit of the man saving it. Under this plan the bookkeeper simply writes a letter to the bank specified by

the employee, advising it that each week or each month he will send it a check, the money represented by such check to be deposited to the credit of the individuals named in the letter as per the amounts specified. Such a letter might read as follows:

Office of The Blank Furniture Company,
Grand Rapids, Mich.

November 10th, 1915.

First Savings Bank,
Grand Rapids, Mich.

Dear Sirs:

To render more economical and convenient the deposit of money in your bank by certain of our employees, we shall send you each week hereafter a check for \$50., the proceeds of which are to be deposited as follows: \$1. each to the credit of the accounts with you of each of the following thirty names (then follow names and addresses)

50 cents to each of the following twenty names (then follow names and addresses).

25 cents to each of the following forty names (then follow names and addresses).

Yours truly,

BLANK FURNITURE COMPANY.

In following weeks the Furniture Company simply writes a letter to the bank saying—"We are enclosing herewith our check for \$50, the proceeds of which are to be deposited as per our letter of Nov. 10, 1915, as to names of depositors, amounts, etc."

Under this plan the money is deducted from the payroll each week automatically by the bookkeeper and automatically finds its way into the individual's savings account. When those saving the money see how rapidly even small savings will accumulate if systematically made, they are encouraged to increase their savings. The banks usually pay four per cent. interest upon these savings.

A Plan in Operation

One corporation presented each of its employees at Christmas, 1913, with a savings-account book. These accounts were divided equally between each bank in the city that had a savings department, and the recipients were told that they had perfect liberty to use the account in any way they saw fit, transfer from one bank to another, etc. The letter that accompanied the gift stated that each and every employee of the company who made a deposit in his account of money saved while in the employ of the company during the next twelve consecutive months—the deposit to be made of any amount he chose and the only condition being that there should be a deposit made once each month in each of the following twelve consecutive months—that such depositor would receive interest at the rate of four per cent. per annum from the bank and in addition interest

at the rate of seven per cent. per annum from his employer—a total of interest at the rate of eleven per cent. per annum. In view of the fact that the longer a person remains in a given employment the more valuable he should become in the use of his time and material, the employer in this case felt that he was making a proposition mutually advantageous in view of the fact that in order to secure the bonus of seven per cent. interest the employee must remain in the given employment during the twelve consecutive months ensuing. The following Christmas this same corporation presented to each employee a receipt issued by the corporation through one of the local banks. This receipt carried interest at the rate of six per cent. per annum; if certain specified further payments were made, the receipt was exchangeable for the preferred stock of the company, which stock was and is paying dividends at the rate of seven per cent. per annum.

An Advantage of Co-operation

We all agree that there would be many advantages to industry and to society if the workers were to become partners in the business for which they work. Under our modern system of doing business by corporations, the only way to become partners is by the purchase of stock. When the workers become stockholders it will solve many of our problems, industrial and social. Shareholders have rights and they have duties. Small shareholders are often more keenly alive to this than are the large shareholders. The chairman of a great railroad system in his last annual report complained that although the road had 50,000 shareholders, they had no influence with the Interstate Commerce Commission or with the railroad commissions of the states through which the road operates. If a sufficient number of these shareholders had been employees of the road and residents of the communities served by the road they would make themselves heard in case they felt their road was not getting a square deal.

When corporations like the United States Steel, International Harvester and National Carbon adopt the plan of encouraging their employees to become shareholders it is evidence that there is substantial merit in the plan. To the employees it is a direct incentive to economy and faithful service; to the customer it is an invitation for suggestions on how to improve the service and business of the company; and to the agitators, whether labor or political, it is notice to keep hands off, because with a business in such a position any unjust attack will not only fail, but it will recoil upon the would-be troublemakers.

The details of these plans have all been carefully, practically and legally worked out and tried out in actual operation. In a certain city a large majority of the stock of the local gas and electric light company had been bought by new non-resident interests. Shortly after they acquired the stock the city officials announced a plan for a municipal plant. The new interests at once went to the city authorities and stated that there was no room for two plants; that one plant and one organization would do the work much

more economically and efficiently than could two organizations and that if the city wanted to go into the lighting business they could buy the existing plant on an appraisal basis. In reply, the city authorities offered to buy the property at about ten cents on the dollar of its actual worth, and from this position they could not be induced to recede. Finally, as a last resort, the new interests bethought themselves that there were still about a hundred local shareholders in the company, people who owned one and two and three shares each. A letter was sent to each one of these shareholders, asking them to attend a meeting at the City Hall on a certain evening, and stating that at the time matters were coming up vitally effecting their interests as shareholders in the company. They all came to the meeting, they brought their wives and children and they were much interested in everything that went on. The city fathers entirely changed their attitude and thereafter the company had no difficulty in dealing with them on a fair basis. Since that experience the principal shareholders of the company have encouraged their employees to become shareholders by offering them facilities to pay for stock in small installments taken out of the weekly pay-roll; and they have encouraged their customers to become shareholders by offering them stock of a small face value to be paid for in small monthly installments to be added to the monthly bill for gas or electricity; thus making the saving and buying plan automatic. In this connection they have gotten out considerable advertising literature, etc., which is available for the information and use of any who may be interested.

We must remember that the stock in trade of the politician is votes, and that if any particular corporation has enough voters or wives and sweethearts of voters among the shareholders the politicians are not going to attempt to do it an injustice. There is always plenty of game for the politician to hunt, because there are always plenty of business men who are so busy that they forget to lock the barn door until after the horse is stolen.

Different Attitude of Workers

The above suggestions and experiences give some of the reasons why it is to the interest of the employers to have their employees savers of money and as shareholders. In the five years immediately preceding the war England and the continent of Europe had enacted a great deal of radical and socialistic legislation, much of which has not yet been brought to this country. But it will come, and the war will give a great impetus to radicalism and socialism everywhere.

In his address to the Iron and Steel Institute at Cleveland, on October 20th, Judge Gary, the president of the Institute, estimated that the actual expenditures for the European war amounted to about eighty million dollars per day and that the terrific losses through burning of cities and other waste amounted to about as much more. If we call the loss only one hundred million dollars per day, it means for the fifteen months that the war has already lasted a destruction of forty-five thousand million dollars. And there is no end in

sight. England and Europe are burning up their seed corn. When the war is over almost all of their people will be impoverished and will be willing to work for starvation wages and will flood this country with cheap goods. Our workers are now getting high wages. They should be reminded and encouraged to save part of those wages as an insurance against the bad days that may come, as an insurance against old age and sickness and as a first step toward economic independence. An employer who encourages his help to save is not only serving his own business interests, but he is also performing a service to society. A man who saves money now is doing it at a time when the opportunities for investment are more attractive than any the world has

ever seen, and he is performing a public service because with such savings many hands will find employment that would otherwise be idle.

Remember what James J. Hill said: "If you want to know whether you are destined to be a success or a failure in life you can easily find out. The test is simple and infallible. Are you able to save money? If not, drop out. You will lose. You may think not, but you will lose as sure as you live. The seed of success is not in you."

Also Bismarck: "Saving goes before security, happiness and good citizenship. It makes MEN; while extravagance makes vicious members of society."

IMMIGRANT THRIFT AND AMERICAN INVESTMENTS

By JOSEPH MAYPER, Executive Secretary National Americanization Committee

"The Ministry of Finance plans to establish a number of Russian savings banks in the United States to receive deposits from Russian nationals there. The first banks would be in New York and Chicago." So reads an Associated Press despatch dated Petrograd, October 26, 1915, which appeared in the obscure corners of many American newspapers recently. About two years ago a trust company was incorporated in New York state with offices in the financial district of New York City. It immediately began to appoint agents in Austro-Hungarian communities throughout the United States who were instructed to solicit deposits from His Imperial Majesty's resident subjects. An appeal was made in the name of patriotism and the love of mother-country. Through a well-organized foreign language publicity campaign, it was soon known in every Austro-Hungarian community that this trust company had become the American agent and correspondent of the powerful government banks abroad. Again, about four years ago one of the two most powerful banks in Italy—having foreign government moral support and backing—established a branch in New York City. Like the arms of an octopus, its agencies soon stretched into nearly every Italian community in the United States—the deposits thus collected being sent abroad for safe-keeping in the home office.

The three South European countries from which have come the greater part of our "new" immigrants are thus making every effort to attract within their own boundaries the material wealth so carefully scrimped and saved by their subjects and even our own citizens here. Italy and Austria-Hungary entered this fertile banking field long before the frightful conflict of the races in which Europe is now engaged brought in its wake the enormous destruction of property, the practical economic bankruptcy of the nations involved and greatly increased the burden of taxation which their unfortunate and impoverished subjects must hereafter bear to help amortize the quadrupled national debts.

What will happen after the war, when sanity re-

turns and the legitimate affairs of men resume their normal sway, is presaged by the recent Associated Press despatch of the Imperial Russian government's action. If as a result of ordinary business competition the country has practically been honeycombed with agents of foreign banking interests who appeal to every racial impulse of our immigrant workmen, what renewed efforts and new pleas will the really vital demands of the reconstruction period bring? If about \$200,000,000 has heretofore been transmitted abroad annually for non-commercial purposes in normal times, how much greater will this amount be when the mother country's "life-blood" has been sapped, when the national debt has grown to appalling heights and when beloved cities and towns and bridges and homes must be rebuilt? The war ended, the American dollar will be the only form of international exchange literally worth its weight in gold. Business is booming; the war has made labor, especially immigrant labor, scarce; overtime pay and the "war boom" bonus are increasing earnings; thrift is second nature to the immigrant—with steady work each pay-day adds to the little hoard. What are America's far-sighted business men and keen-witted bankers doing to attract these millions and to induce the thrifty immigrant workman to leave his money here and to invest it in our own properly-vouched-for securities? Let us see.

The immigrant comes to America to better his material condition or to escape religious or political persecution. He may intend to remain here but a short time, but in most cases his coming here means the opportunity to earn and save a little money, send for his wife and children, buy a home and become a loyal American citizen. Officially we admit him at our ports of entry and immediately thereafter dismiss him from our minds. He is completely forgotten, unless he applies for citizenship, becomes a public charge, or is charged with the commission of some criminal offense. He gets along as best he can—without guidance, without protection, and without even a helping hand in the

difficult early stages of his struggle. His strife to succeed, despite disillusionment and discouragement, has often proven that his faith is strong and his courage adamant. It remained for President Wilson, in his address to several thousand newly admitted citizens in Philadelphia last May, to give expression to this thought in words which will serve to inspire millions of new Americans to come:

"You dreamed dreams of what America was to be, and I hope you brought the dreams with you. No man that does not see visions will ever realize any high hope or undertake any high enterprise. Just because you brought dreams with you, America is more likely to realize dreams such as you brought. You are enriching us if you came expecting us to be better than we are."

Yes, the large majority of our immigrants do bring beautiful dreams—dreams of liberty and of a new life, inspired by centuries of oppression and serfdom inherited in their home country. Their dreams are shattered in all too many instances. The average non-English-speaking immigrant travels a route which is full of pitfalls. He secures an American "job" and draws American pay, but at every other approach he is the constant prey of the human vultures who camp on his trail. He is not directed into employment for which he is fitted but is allowed to drift into any work at hand; he is not taught how to speak our language so that he may understand us and participate in our affairs; he is not made familiar with the meaning of "liberty, justice, equality"—words so deeply engraved in every true American's heart; nor is he made acquainted with our form of government and our ideals, so that he may blend them with his own and thus enrich ours. And what is most pertinent just now—he knows little or nothing of our responsible banking institutions—our incorporated national and state banks and savings institutions—and our American bona fide and lucrative investment securities.

The non-English-speaking immigrant generally deposits his savings in the immigrant private bank or the government postal savings bank. The "banker" makes the stronger appeal to him as he establishes a relationship which is based on personal trust and racial ties. Natives of the same province abroad, the banker readily becomes the middleman through whom the immigrant's American adjustments are made. He meets the latter on arrival at the docks, tries to get him a "job," allows him to use the "bank" as his post-office address, secures a lawyer and bondsman for him when in trouble and solicitously becomes his friend and adviser in America. To encourage trade, the banker is frequently engaged in other incidental enterprises—such as the saloon, grocery, real estate, hotel or newspaper business. In opposing proposed regulatory legislation, a banker himself once wrote:

"We are the regular clearing house for all our neighbors' ills, and especially for those who live in our immediate vicinity; we are an absolute necessity and godsend to them; we must keep their letters and forward them to the country when they are

working on the railroads; we must sell them postage stamps, give them free envelopes, phone to open or close their gas meters as the case may be; call up the doctor, midwife, hospital, lawyer, wholesaler, children's society or police; and write out their children's pedigree for school or kindergarten purposes."

The banker sells steamship tickets, prepares and acknowledges powers of attorney, bills of sale and other legal documents, acts as correspondent and interpreter, becomes the custodian of documents, valuables and baggage, helps in securing citizenship papers, exchanges foreign money and—naturally—entices the savings of his countrymen.

Ministering to nearly all the primary needs of the immigrant in a new country, the immigrant bank—with its alluring window display of foreign money, the imposing red seal indicating official notarial powers and colored pictures of modern ocean greyhounds—has become a common sight in every foreign community. Until 1911, when the postal savings system commenced to make its influence felt, the immigrant bank has practically had a free field, as the ordinary American incorporated national or state bank has not met the needs nor has it solicited the patronage of such a clientele. What has been the result? These mushroom banks have multiplied rapidly in proportion to the enormous increase in our recent immigration. It was easier and more profitable to go into the "banking" business than to open a saloon—where a license is required—or a grocery store where a cash investment is needed. But anyone who could assume a bold, convincing "front" and pay for a window sign containing a huge red seal and the word "Banker" or its foreign equivalent, in large black letters, and perhaps advertise a little in the foreign-language press, could engage in the immigrant banking business. A great number of irresponsible and unscrupulous persons have therefore entered this field, many of whom depend on to-morrow's business to pay to-day's demands and yesterday's losses.

The immigrant banker generally retains his deposits for such use as he deems fit. Stock speculation, the favorite use for such funds, resulted in the loss of \$859,000 in one instance. "Wild-cat" real estate investments, especially speculation in unimproved suburban lots, is second choice, since it permits of financial juggling—lots worth \$300,000 having been carried on the books as a \$700,000 asset, while a farm purchased for \$16,000 had a book value of \$175,000. Private business enterprises and new invention possibilities offer another lucrative field for speculation with other people's earnings—the largest part of \$750,000 in deposits having been lost thereby in another instance. One of the naive rogues who robbed his trusting patrons in this way said, "We believed we had a right to do as we pleased with the money!" No wonder so many of them have decamped over-night to parts unknown, afraid to face a run on their banks. One has to see but once the crowd of shrieking and crying men, women and children, crazed with loss, facing eviction from their homes, with nothing between themselves and hunger and cold except

the uncertain daily wage, to understand how vitally such losses affect their outlook towards America and its institutions.

There has been comparatively little regulation of immigrant banks, although millions of dollars have been lost by thousands of immigrant wage-earners. In New York alone nine of these banks were closed on account of insolvency by the Superintendent of Banks towards the end of 1914. An examination of books disclosed that deposits of \$11,173,000 had been made in them by some 90,000 men, women and children. At least eleven depositors, destitute and in want, committed suicide immediately thereafter. The hard-earned savings of these poor depositors would probably have tided them over the sharp unemployment crisis last winter, but after the failure of these banks a pitiful appeal to charity was their only recourse to ward off starvation. In New Jersey it is known that in 1911 at least \$200,000 was lost, and although other accurate records are not available, similar large and varying amounts have no doubt been lost to non-English-speaking wage-earners in Pennsylvania, Massachusetts, Michigan, Illinois, Maryland and other immigrant-receiving states.

States have been slow to recognize the existence of the immigrant bank and have therefore refrained from bringing it under the same supervision and regulation as the regularly incorporated bank. Six states, Georgia, Illinois, Iowa, Maryland, Michigan and Texas, have no legislation at all, except that in Maryland a private bank may not advertise itself as a "bank" and in Michigan an act of 1859 requires partnerships to file with the county clerk the names of the partners, the terms of the partnership and the place of business. Eleven states, Connecticut, Indiana, Massachusetts, Missouri, Montana, New Hampshire, New Jersey, New York, Ohio, Pennsylvania and Virginia, have enacted special laws—more or less satisfactory. New York has the most drastic and far-reaching law, as it provides for the inspection of books, the filing of bonds and quarterly financial statements and the segregation of the capital from private assets and regulates the investments, provides for cash reserves and gives the Superintendent of Banks complete control during liquidation. The law has already had a marked effect, as about twenty indictments for larceny, forgery and misdemeanors have already been filed and two bankers have been convicted and sentenced to state's prison. At the end of the last fiscal year sixty-five private bankers, having over \$18,500,000 in resources, had been licensed and were under state supervision. Other special legislation is not so satisfactory, however. Connecticut, for instance, merely requires the filing of a bond of \$10,000 but provides for no supervision or regulation of any kind, while in Massachusetts, where the law is limited in scope, the ninety-seven licensed bankers had been required, in 1912, to file only \$866,000 in bonds as security for an \$8,000,000 business. Private banks in the remaining states are regulated under the general banking laws and, with certain modifications, are subject to the same general supervision as incorporated banks. It should not be possible for an institution accepting savings deposits to fail—especially

where the surplus earnings of the poor are involved. Thrift is handicapped and confidence in American institutions is destroyed if the immigrant laborer is not assured that his savings—upon which his faith and his hope in America largely depend—can be entrusted to any "bank" with a feeling of security and the knowledge that it is as solvent as if it had been deposited in his own government's postal savings bank.

The United States government saw the importance of providing safeguards for the surplus earnings of its alien residents and in June, 1910, the postal savings system was established. It has stimulated thrift among immigrants, as they have been accustomed for many years to deposit their savings in similar institutions abroad. Our own government system now has 540,000 depositors, with a total credit of \$68,000,000, nearly all of which has been placed in 6,000 banks located in the cities, towns and communities where it originated. Foreign-born depositors own seventy-two per cent. of this total—a definite indication that the tide is turning against the irresponsible immigrant bank and also that our immigrant residents are entirely unfamiliar with our own banking practices. This huge sum has been accumulated despite the fact that the amount that may be accepted from a depositor is limited to \$100 a month and \$500 in all. The following comment of the Third Assistant Postmaster-General in a recent article indicates the enormous possibilities of the system:

"The fetters on postal savings are particularly oppressive to the foreign born. No such harsh rules exist in the postal banks of their native countries and they cannot understand their purpose here. Certain racial habits of theirs must be recognized and respected if the service is to accomplish its full measure of good and one of these habits is to accumulate several hundred dollars before tendering it for deposit; and because all their savings cannot be accepted at one time thousands have left our post offices in resentment without depositing a penny."

It is significant to note that the postal savings system thrives most in the manufacturing and mining centers, where we also find nearly all of our immigrant population.

Some of our national and state banks have also seen the business possibilities involved in the savings of the immigrant workman and have organized foreign departments where every facility is provided to meet his many personal needs. Such organization has been sporadic and ineffective in the main, however, as it has been local in scope and has not reached out to the many thousands of thrifty immigrant workmen.

The annual return to their native countries of from 200,000 to 400,000 immigrant aliens, taking with them their accumulated savings, has drained our nation of some of the most thrifty and sturdy of our prospective citizens and has taken millions of dollars out of our circulation. Transatlantic steamship companies may in sundry ways stimulate the return of our immigrant workers for the increased transportation business it brings. But many more return because they have cemented no permanent ties and have made no permanent

investments here. One's domicile in a foreign country is largely dependent on the material welfare it provides. The immigrant has had no responsible agency to whom he could apply for information regarding the investment of his surplus earnings or as to the genuineness of any specific investment prospect—especially those relating to land. He has had to depend largely on the highly colored advertisements in the foreign-language press and on the statements of unscrupulous persons speaking his own language—with rather fatal results if the reports of state immigration bureaus, legal aid societies and other similar organizations are correct. His confidence in American business investments has been shattered and heroic measures on the part of American business and American banking institutions are necessary if it is to be regained.

The war has compelled American business to create new fields of work and American bankers to meet new and increased demands on their resources, and American ingenuity has met these new economic needs with characteristic force. Many old cities and towns have increased their revenues and many new "war-boom" towns are being established where money is being quickly earned and just as freely spent. Thrift is not encouraged in such towns where the workmen, many of whom are immigrants, live alone or in non-family groups or as boarders and where the influence of family life is lacking. Cannot American bankers enlist in the nation-wide campaign to Americanize the immigrant by providing American safeguards for the results of his native thrift?

A definite program of work must be adopted if thrift among immigrants is to be encouraged, if their savings are to be kept in this country and deposited in American banking institutions, and if we are to secure their confidence in our native investment securities so that permanent ties may be established and their real Americanization hastened. Such a program should include:

(1) Adequate legislation to license and regulate all immigrant banks—thus safeguarding immigrant deposits and eliminating competition from irresponsible sources;

(2) Establishment of foreign departments in all national and state banks, in charge of a trusted person speaking the important foreign languages of the community and with facilities to meet the personal needs of immigrants during their process of adjustment; immigrants should be made to feel that they are welcome and that their patronage is desired;

(3) Organization of systematic publicity campaigns to reach immigrant wage-earners, special emphasis being placed on the protection afforded;

(4) Establishment of branch offices of regularly chartered banks in all new "war-boom" towns, and the organization of systematic campaigns on "Thrift";

(5) Adequate state legislation to provide for the registration of all farm lands offered for sale, and Federal legislation to prohibit misleading advertisements in the press.

(6) Establishment of Bureaus of Information in all banks having foreign departments, where proffered land and other investments may be checked up, so that bona fide advice and information can be given to all prospective immigrant investors.

THRIFT IN THE NATION

By CLAUDE E. SCATTERGOOD, Assistant Secretary The Fidelity & Casualty Co. of New York

"Not that we are so clever, but that the rest are so stupid; that's the great secret," says the aged counsellor to young Cleopatra in one of Shaw's plays. Some are making a profit out of the stupidity of the thriftless. The thriftless are the losers.

We are units of political divisions and each one of us pays in coin of the realm his share of whatever might have been saved from waste by a city, state or federal government which is careless or imprudent in the management of its resources. Abolish the tariff and other indirect taxes and levy upon all incomes in equal ratio and some will see things they never saw before, nor even dreamed of. We do not notice that the atmosphere presses upon us at about fifteen pounds to the square inch until we find the pressure relieved somewhere or until we take thought to measure it. We do not notice how much we pay in increased prices and rents due to taxation of others than ourselves until we actually take thought about it, and we think about it as frequently as we do of the air that surrounds us. We ought to think. We are as much responsible for thrift or thriftlessness in governmental management as any other citizen.

As we are all citizens of political divisions so are we members of the industrial organizations of our land, and it is of concern to us whether those who produce what we need are economical or not, because day by day we pay and pay for waste. It is not a matter of indifference to us whether the farmer raises twelve to fifteen bushels of wheat per acre or thirty bushels as is produced in England, or thirty-three as in France. It is a matter of importance to us that huge amounts of water-power are running day and night without turning factory shafts.

The Nation's Relationship

Let us try to visualize the concept of a nation's existence in time and our individual positions therein as living, human beings. A nation's relationship to time is that of an intelligent organization which exists now because it existed in the past, and which we have every reason to believe will continue to exist. The present is but one point in the chain of years which measured the past and which we fervently hope and trust will add luster to a prophetic, brilliant future.

We are the product of the years behind us and part creators of the nation's life that is to come. "No man liveth unto himself and no man dieth unto himself." Let us imagine a great net which spreads throughout the present and includes all things therein, and then on and on spreading into the future to realms far distant from to-day. The border of that magic net is the present, the great body of it is the future. At each cross-knot in the border stands a living soul; on each cross-knot of that great expanse which disappears beyond the dawns of a myriad to-morrows will stand the men, women and children of the years beyond the coming mornings. We can not disturb the region around our little cross-knot of that net of empire without affecting, to some extent, great or small, for good or evil, every portion of the fabric whether the part be with us in the present or with those who follow us in the future.

Let us, therefore, as faithful stewards of a goodly inheritance look over the records of our history so that we may render honor where it is due, and use the experience of the past as a helpful guide for the future, avoiding errors that have led to waste and using the methods which bring thrift and therefore happiness. We should inspect the old revenue accounts to see what our fathers received, what were their expenses, and where waste occurred and why. As good accountants let us draw up a national balance-sheet of our present resources and liabilities and as empire builders prepare a budget based upon national thrift, which shall contain a program for the future, that will bring satisfaction to ourselves as worthy administrators and set a standard for the men of to-morrow.

Wealth of the United States

Orators speak in eloquent terms of our boundless mineral wealth, and as if acting upon those figurative flights of fancy we dig these precious substances from the good old earth with seemingly never a thought that what is taken can never be replaced, and that what is obtained in the future will be with increasing difficulty despite the advance in economical methods of extraction. Agricultural products are reborn each year from the seeds of former years, and the cattle of to-day tell us of the herds of to-morrow, but iron, copper, coal, oil and gas when taken from our resources are taken once for all.

Inspect the records of mineral production as given in the Statistical Abstracts of the United States in the tables entitled "Statistical Progress of the United States." In 1893 we produced 163,000,000 tons of coal, 147,000 of copper and 12,000,000 of iron-ore. In 1903 these amounts had risen to 319,000,000 tons of coal, 312,000 of copper and 35,000,000 of iron-ore. In 1913 the production was 509,000,000 tons of coal, 547,000 of copper and 60,000,000 of iron-ore. From 1893 to 1913 the population of the United States increased by about fifty per cent. and during the same period our production increased 213 per cent. for coal, 272 per cent. for copper and 400 per cent. for iron-ore. We can look at these figures with admiration for our productive genius, but

also with apprehension for our conservation program. Shall we be prouder of what we have done than regretful of what we have failed to do? Mr. James J. Hill, in his "Highways of Progress," states: "It is certainly a moderate statement to say that by the middle of the present century * * * our best and most convenient coal will have been so far consumed that the remainder can only be applied to present uses at an enhanced cost which would probably compel the entire rearrangement of industries and revolutionize the common life"; and again, "In the year 1950, so far as our own resources are concerned, will approach the ironless age."

Results of Thrift

Aladdin had a magic lamp and by rubbing it produced whatever his heart desired. Our soil was once a magic lamp which by the minimum effort of mere scratching caused enough grain to be produced to supply our own needs and those of other countries. Though we still have vast expanses of virgin territory, some of our soil which once produced upon a mere handshake and invitation now holds back its generative influences because it is to varying degrees impoverished. Cattle feed from vegetation, and vegetation must be brought into being by the mineral resources of the soil necessary to its growth. Here again we fear our mineral wealth is being depleted with little return for future agricultural purposes. Ours is a young country, but we are growing old as Europe has grown old, and the time will come when we shall be forced to employ conservative methods to feed our citizens. "Eventually—why not now," and appropriately enough this is the trade slogan of one of our large millers. Thrift demands that we apply the principle of amortization to our soil as we apply it to our bonds in the domain of finance.

It is pleasing to note that our federal and state agricultural departments are bringing these facts to the attention of the nation, and not only pointing out what is occurring and what should be done, but in addition teaching by pamphlets and lectures the way to do it. "Intensive Farming" and "Rotation of Crops" are not meaningless words to even our urban population, while competitions in "yields per acre" are engaged in by the very boys of the country. Our reclamation departments are bringing into productive use, through irrigation, thousands of square miles which once were deserts, and conversely, through drainage, are adding to the volume of productive soil that which water held as its own to the exclusion of the needs of man.

Preventable Accidents

Another conservation of our resources is the saving of human life from preventable deaths and preventable diseases and accidents. The assets of a business organization by no means consist solely of the money, bonds, stocks, outstanding accounts, plant and materials which it owns. In addition to these assets are the brains of the employees who manage, direct and perform its work. It costs money to train a man to do work, and such

money is an investment. In theory a salary account may be considered as divisible into these two parts, one an investment in intelligence chargeable to capital and the other an expense chargeable against revenue. This is true with regard to the lives of individuals in a nation, and the loss of services of a man who can do things is a loss of part of our national resources. Thrift in a nation demands that such losses be reduced as much as possible.

Industrial accidents, according to Dr. F. L. Hoffman, caused about 25,000 deaths in the United States in 1913, and the writer estimates the number of non-fatal accidents at about 2,000,000. Estimates have been made as to the money value of a worker's life; one stating \$4,000 and another \$5,000. Assuming that \$4,500 represents the average value of an industrial worker's life, the nation's annual loss due to industrial fatal accidents is \$112,500,000. It is difficult to arrive at the average duration of incapacity due to non-fatal industrial accidents, but from calculations made in connection with workmen's compensation laws six weeks appears to be a conservative figure. Assuming an average weekly wage of \$11.50, the above-mentioned 2,000,000 non-fatal accidents represent a loss in production measured by wages of \$171,000,000, or one year's production of 285,000 workers. This figure is a wage loss only and not the total loss due to these accidents, which would include the additional expenses the injured workmen are put to, the loss to the employers due to a return of part of the wages in the form of compensation benefits, and the loss to the nation of its investment in the men. The loss to the nation due to industrial accidents has been stated as high as \$600,000,000 per year, but this seems to be excessive.

German statistics exhibited at the St. Louis exposition in 1904 showed that in Germany forty-two per cent. of industrial accidents were due to "inevitable risk" and that fifty-eight per cent. were due to other causes, such as carelessness, want of guards, failure to use guards, insufficient instruction and other preventable causes. The per cent. of preventable accidents is probably much higher for the United States, and here is our opportunity for thrift.

"Safety First"

Thrift is being employed in our country in a nationwide, active, forceful and very adequate campaign of "Safety First." In addition to pamphleteering and lecturing, employers are awarded reductions in their insurance rates in proportion as they seek to reduce accidents to their employees, and large results are not only hoped for but expected in this portion of our nation's thrift activities.

As there is a thrift program for the reduction of industrial accidents, and we might add for accidents other than industrial, so is there in existence a campaign for the reduction of disease, both industrial and otherwise. Dr. E. F. McCampbell, secretary of the Ohio State Board of Health, writing in the October, 1915, *Ohio Public Health Journal*, states that carefully compiled tables show that tuberculosis is seventy-five

per cent. preventable, typhoid fever eighty-five per cent., pneumonia forty-five per cent. and diphtheria seventy per cent. Next to knowing what can be done is the taking of steps for accomplishment, and there is no question but that the prevalence of disease is being reduced. Dr. McCampbell shows that the death rate from typhoid fever per 100,000 of population in New York City was thirteen and eight-tenths per cent. for 1906-1910 and for 1911-1913 it was reduced to nine and three-tenths per cent. For Pittsburgh the corresponding figures are seventy-four and three-tenths per cent. and eighteen and five-tenths per cent. For a list of eighteen large cities all show marked decreases in the typhoid-fever death-rate. Dr. I. M. Rubinow, in his pioneer book in the United States on "Social Insurance," estimates, as based on German statistics, the total social and economic cost of sickness per annum among occupied males contained in the 1910 census at nearly \$800,000,000.

Attention is being paid to the condition that there are diseases directly due to occupation. Tuberculosis prevails in the dusty trades; lead poisoning is too well known to speak of other than to mention; workers in brass are subject to "brass-chills," and chemical poisons are found in many processes. They are indeed hopeful signs that the government has to a very great extent reduced phosphorous poisoning in the manufacture of matches, that lists of industrial diseases are being published stating in connection therewith what trade processes they are found in, and that various states recognize these occupational diseases in their laws. Mention should be made of the activities of Ohio, which by legislative enactment caused an investigation to be made of health hazards in that state and to the publication this year by Dr. E. R. Hayhurst, Director of the Division of Occupational Diseases of the Ohio State Board of Health, of his valuable "Survey of Industrial Health Hazards and Occupational Diseases in Ohio," a well-indexed volume of 438 pages.

Competition of Business and State

In our consideration of thrift in the nation there is another important observation that should be made, and that is the competition of the state in business. The insurance world offers an illustration of this, and as an insurance man the writer can use this illustration better than another from a different field. Leaving aside the economic and governmental arguments as to whether it is a function of the state to go into business, the question that concerns us all is whether it is more thrifty to the people as a whole for the state to enter the business field or to stay out and concentrate its activities upon the enactment, administration and enforcement of its laws, a complete argument on which would cause us to take sides as Socialists or Individualists. Such is the final split of this entering wedge. The only point sought to be made in this article is that the state must *show* that the thrift argument is on its side; it must not *say* it, but it must *clearly demonstrate* it in every particular, for no one can tell how soon the state may desire to enter into other lines of business than those in which

it is now engaged. Much of thrift in the nation depends upon showing the actual costs of governmental work in similar manner to the cost accounting methods of our industrial organizations.

New York state is in the workmen's compensation insurance business and is competing with insurance companies, with conditions under which the insurance companies are not working. It is not under the supervision of the State Insurance Department, as are the insurance companies, and its expenses up to 1917 are paid by the people of the state. Ohio has also gone into the same kind of insurance business.

Ohio State Fund

It is important, as a principle of thrift, that a true and detailed accounting of the state in business be given to the people. The writer has sought with others to compare the cost of operating the insurance business of the Ohio State Fund with that of individual companies, and it should be noted here that insurance companies are obliged by law to submit their accounts, full and complete as to detail, in uniform manner as prescribed by law, thus giving a basis of comparison among themselves. From the exhibits of the Ohio Fund only the wildest estimates as to costs can be obtained. The Ohio Fund is one of five divisions of that state's Industrial Commission, the other divisions being Executive, Inspection, Statistical and Film Censorship. Salaries and expenses are exhibited under each of these five divisions, but nothing can be known as to how much, if any, of the expenses of the Executive, Inspection and Statistical divisions is charged to the actual business the state has embarked upon, and it is certain that some of these expenses are chargeable to that business, because the insurance departments and the companies realize that the salaries and expenses of executives, of inspection service and statistical work are part of the costs of the business. Ohio is *claiming* remarkable efficiency as to its business administration, but it is not *demonstrating* or *showing* it to the satisfaction of accountants.

The people should know what the business activity of their governments is costing, including every detail. There should be absolutely no shadow land nor region of fog. It is submitted that no comparison as to thrift can be made until the accounts of the state and the com-

panies are placed on *exactly the same basis* in every particular, and that everything be analytically accounted for and audited by the same disinterested parties. This has not been done as yet anywhere; but it should be done.

The above discussion evolves the general principle that in every consideration of thrift proper and accurate methods of accounting should be employed; else how can it be known whether we have been thrifty or not, and by how much we have succeeded or failed.

Tax Upon Thrift

We cannot forbear in this connection to mention the tax upon thrift which the states levy upon insurance companies. Mr. F. Robertson Jones, secretary of the Workmen's Compensation Publicity Bureau, in a recent speech, quoted Hon. James V. Barry, former Commissioner of Insurance, who said: "The aggregate of fees and taxes annually paid by the insurance companies to the various states of the Union is, in round numbers, \$12,000,000 (approximately \$20,000,000 in 1914), while the cost of maintaining the several insurance departments is but \$2,000,000. Inasmuch as all this vast sum is paid by policy-holders in the shape of increased rates, the justness and expediency of the tax is a matter worthy of serious consideration." Such *taxes upon thrift* in vast excesses of actual insurance regulation requirements are levied for paying other expenses of government. The very fact that these taxes can be *indirectly* levied upon the people and so easily obtained is a strong incentive for thriftlessness in other departments of a state's activities, and their imposition for purposes other than those connected with insurance should be strongly discountenanced, if not eliminated altogether, but in any event greatly reduced.

Conclusion

Thrift in the nation demands prudent and careful management of our resources, and its consideration should not be confined to the conditions of the present. A nation has continuous existence and we are but units among individuals who have lived before us and others who shall live when we are gone. Those who follow us must not be obliged to suffer for our thriftlessness. We must play our parts well, in a thrifty manner, and leave no unnecessary mortgages behind for others to pay.

ANNUAL DINNER OF GROUP VIII

Group VIII of the New York State Bankers' Association, comprising the associated banks of the city of New York, will hold its annual dinner January 17, 1916. Because of the war the last annual dinner was omitted.

The following Executive Committee for 1915-1916 has been chosen: Chairman, Charles Elliot Warren, president Lincoln National Bank; secretary-treasurer,

Thomas Cochran, president Liberty National Bank; Joseph B. Martindale, president Chemical National Bank; Stephen Baker, president Bank of the Manhattan Company; Charles H. Sabin, president Guaranty Trust Company; Louis G. Kaufman, president Chatham & Phenix National Bank; and Joseph Byrne, vice-president Merchants National Bank.

RURAL CREDITS AS A MATTER FOR STATE OR NATIONAL ACTION

The Joint Committee of Congress on Rural Credits is composed of:

Carter Glass, Virginia, Chairman,
Robert L. Owen, Oklahoma,
Henry F. Hollis, New Hampshire,
Thomas P. Gore, Oklahoma,
Hoke Smith, Georgia,
Knute Nelson, Minnesota,
James H. Brady, Idaho,
Michael F. Phelan, Massachusetts,
Asbury F. Lever, South Carolina,
Ralph W. Moss, Indiana,
Everis A. Hayes, California,
Willis C. Hawley, Oregon,
W. W. Flannagan, Secretary.

According to its instructions, this committee is expected to present a plan of rural credits for action by Congress early in January. The various members of it are supposed to have spent much time in looking into the subject, and they have for several weeks been holding meetings for the purpose of harmonizing their ideas.

The Washington dispatches state that the committee has made much progress and that it has practically agreed on a revision of the Hollis-Bulkley measure, which came near to passage in the last Congress. It is reported that there is agreement on the establishment of land banks, one in each state or one in each of the twelve Federal reserve districts. The capital of each is to be \$500,000, and this sum may be in part provided by the Federal Government. It is reported also that the proposed land banks will have no connection with the Federal Reserve Board or the Federal reserve system, as was contemplated in several bills before the last Congress. On the other hand, it is reported that the committee is in close consultation with members of the Federal Reserve Board and that the suggestion and advice of the latter are being sought. However this may be, some idea of the lines along which the committee is working may be obtained from the information and queries sent to various men familiar with the investment situation.

Queries from the Committee

The following is an extract from one letter:

Under this bill "Farm Loan Bonds" are secured as follows:

1. By first lien on real estate valued by disinterested appraisers under government supervision, at double the amount of the loan, the debt being indorsed by a bank limited in such indorsements to twenty times its capital
2. By the direct obligation of a bank with \$500,000 capital, guaranteed by eleven other banks of similar capital, thus having \$6,000,000 margin of security in the form of capital stock, the issue by each of such banks being limited to twenty times its capital.

In addition to the specific security above named, such bonds will have the following advantages:

1. Being a lawful investment for trust and fiduciary funds, and free from all taxation.

2. Being available as collateral security to any customer of a member bank of the Federal reserve system, in procuring its acceptances.

3. The direct obligation of such member bank, of not longer maturity than sixty days, when accompanied by these bonds as collateral security, being eligible for discount with the Federal reserve bank.

4. All banks of the Federal reserve system being authorized to buy and sell such bonds and member banks being allowed to receive the same as collateral security for loans and acceptances.

Queries

1. Would such bonds, bearing four per cent. interest sell readily at par or above, and would preference be given to long or short maturities?

2. Among the advantages enumerated, which do you consider from an investor's standpoint the most desirable? Please arrange by number the several advantages above stated in the order of their relative desirability in your opinion, and state which, if any, could be eliminated without affecting the marketability of the bonds.

3. Would the capital stock of each of twelve such banks, limited in its dealings to first mortgages on farm lands, with the corporate advantages enumerated, and also being free from taxation, but its dividends limited to six per cent. per annum (cumulative), be considered a desirable investment?

4. If you think the bonds as described would be readily salable, do you think the government would be justified in obligating itself to subscribe to any unsubscribed portion of a minimum capital stock of \$500,000 of such banks, in order to assure their organization, and for the general good to be derived by thus making negotiable the security which the agricultural interests can offer?

5. Would you recommend any other government aid, and if so, in what form?

Myron T. Herrick's Views

In a recent address before the Illinois Bankers Association Myron T. Herrick of Cleveland, former Ambassador to France and an earnest student of rural credits, outlined the laws which have been passed in the various states and asserted that, except in the case of California, "every one of these laws violates in some way or other basic principles, disregards the rights of persons not intended to be benefited, and bears the mark of class legislation." Mr. Herrick said:

The American Bankers Association started the rural credits movement. The resolution adopted in November, 1911, at New Orleans, directed public attention to long-term mortgaging and co-operative banking and suggested the right ideas to the various commercial, agricultural and political bodies whose activities have made of these subjects one of the greatest issues of the day. But the Association intrusted the movement to its Agricultural Commission, which assumed an unsympathetic attitude and regrettably left the problems to be solved without its expert advice.

As a result, the movement has gone wild. Properly regulated private enterprise and a wider extension of rural co-operation have been discarded as the solution. The introduction of correct principles in mortgaging has

been ignored. The co-operative combination of farmers with a view of strengthening their purchasing and selling power and supplying their own financial needs for short-term transactions, has been condemned without trial. The grand objects of the movement have been overlooked. The aim has been centered on mere interest rates instead of remaining pointed at the mobilization of credit and the effective use of resources. Cheap money, through government intervention, and despite market conditions, has become the war cry of the farmer's friend; and so state aid, special privileges and class legislation are now appearing to an extent never before attempted in the United States, while paternalism of a ranker sort than practised by any European nation, except for lowest peasants, is now being proposed generally for American farmers.

Unless bankers and business men awake to action, the movement will inevitably be guided by socialists directly into the hands of government, because the agitation for rural credits will not end until its problems are settled in some way or another. Roosevelt, Taft and Wilson were pledged to the support of the movement by the platforms of the last conventions of the Progressive, Republican and Democratic parties. Eighty-six measures have been introduced in Congress. A joint committee of the Senate and House is now at work and must present a new bill by the first of January. Next summer comes the Presidential campaign and this will inevitably revive and increase the demands for the performance of the promises that have been made to the farmers.

The State Laws

The following states have enacted laws in regard to agricultural credit:

California—A law on mortgage insurance companies. On October 17th an amendment to the constitution to enable the state to use its cash and credit for farmers was voted down.

Indiana—A law on rural loan and savings associations.

Kansas—A law authorizing building and loan associations to issue privileged rural credit shares; also a law permitting a holder of a farm mortgage (deposited with the state treasurer) to issue debentures certified by that official to the effect that the security is ample and the title perfect.

Massachusetts—A law on credit unions; also a law on farm land banks.

Missouri—A special act creating a public land credit bank to be managed by the governor and other state officials and to issue bonds guaranteed by the state.

New York—A law on credit unions; also a special act creating "The Land Bank of the State of New York."

North Carolina—A law on credit unions; also a law on land and loan associations.

Oregon—A law on credit unions; also a law on co-operative banks.

Texas—A law on rural credit unions.

Utah—A law on co-operative banks for personal credit; also a law on co-operative land credit banks.

Wisconsin—A law on co-operative credit associations; also a law on land mortgage associations.

A clause in the Federal Reserve Act authorizing reserve banks to discount six-months live stock paper; also a clause authorizing any national bank (not situated in a reserve city) to invest one-fourth of capital and surplus

or one-third of its time deposits in five-year farm mortgage loans.

Philippines—A special act on the government "Agricultural Bank."

Porto Rico—A special act creating the Insular Bank of Porto Rico—a semi-public institution for extending agricultural credit, issuing bonds for extending credit to agricultural enterprises and to owners of farm lands.

The Proposed Law

From the attitude toward rural credits in the last Congress and from reports of the deliberation and trend of thought in the joint committee, it seems that rural credits legislation of national scope will be confined to a means of loaning funds on improved farm land worth double the amount advanced. No account seems to have been taken of any need the farmer may have for loan on current account, nor is attention given to the matter of tenant farming. The legislative presumption seems to be that the farmers are greatly in need of facilities for securing funds on land mortgage. Operations under state rural credits laws have not so far demonstrated that the farmers credit needs of this kind are not amply provided for. Perhaps the best law in any state is that of Wisconsin whose operation was the subject of an article in the JOURNAL-BULLETIN last month. Adequate as this law seems in regard to the particular and peculiar situation in Wisconsin, it can hardly be said that it has been taken advantage of to any great extent. At the same time, if the situation was competently discussed in the article mentioned, Wisconsin certainly is not in need of Federal legislation to supplement that which it already has.

Bankers are plainly not greatly interested in Federal legislation on the subject of rural credits. Wherever there has been opportunity banking judgment has been invariably on the side of state treatment of this question. In other respects, it is plain that the bankers are opposed to Federal aid for agricultural or land banks by pledge of the government's credit or the purchase of bonds or stock in such banks by the government. Banking judgment is undoubtedly opposed to the investment of postal savings deposits in the securities of rural credits organizations and to any connection of such organizations with the national bank system or any connection of such organizations with the Federal reserve system or the member banks.

What Bankers Think

Those who have given serious attention to the problem of rural credits will undoubtedly agree with Mr. Herrick that there have been many wild propositions. As viewed by the politicians and the professional friends of the farmer, what was first a plan for supplying the farmer with capital according to his requirements has become a question of lending the funds of the government to the farmer or placing at the disposal of the farmer the government power to levy taxes. There are probably some agricultural operators who would be pleased to borrow money from the government or from any one else,

and there are doubtless a large number of members of Congress who would be glad to have their constituents understand that they had been instrumental in placing the funds of the government at their disposal. While this consideration is the most inconsequential in the real matter of agricultural credit facilities, it is of the greatest importance in the political aspect of the case. At this time the problem of rural credits has become a problem of government aid to farmers. It may or may not be practically determined whether the farmers desire that sort of assistance.

A western banker, who has been much interested in the question of agricultural credits, recently summed up the result of his studies as follows:

This question is most distinctly a state and local question and not a national one. I am also in considerable doubt as to whether there is any demand for rural credits; certainly the demand is not general and does not extend throughout the country. The American farmer appears as a borrower—first as a producer (manufacturer, if you please)—in which capacity I believe he is being well cared for by the existing banks; second, as a purchaser of land. Here the answer is not quite so clear. In most portions of the country men with moderate capital, purchasing reasonable amounts of land, can, I believe, obtain accommodations from the same sources. Where land speculation is indulged in the question is quite different. It is hardly the function of banks anywhere to encourage such an operation, and neither is it to the best interest of the farmer. I do believe, however, that in many places there is a demand for legitimate loans of this character that are not supplied by the existing agencies. My own view of the matter is that private incorporated concerns can take care of such demands and will do so as rapidly as it can be done under government financed institutions. In some states it may be necessary to have needed legislation passed to encourage the formation of farm loan companies. This question is complicated by the overvaluation of land, which is so general throughout the western country. A price is placed upon land based upon some

particular crop, sometimes by the returns from some favorable season, which returns may be entirely upset by changes in weather, through the invasion of pests or by competition from new sources. I may perhaps state my views more simply by saying that I consider land prices generally too high and I fear government aid being used as a means of still further advancing prices.

The influence of Mr. Myron T. Herrick, has, I am afraid, been unfortunate upon this question. He has come to be looked upon as an authority for the statement that European farmers borrow money at from three and one-half to four per cent. per annum. I have never heard that he made any attempt to answer statements made by Mr. George H. Woodruff of Joliet, Ill., in which he gave the results of personal inquiry abroad to the effect that the loans were either combined with a lottery feature, which operated as an incentive to the buyer to purchase debentures bearing less than the market rate of interest, or that the farmer himself was given a debenture which he had to sell at the market rate, so that instead of the three and one-half per cent. he might be paying anywhere from five per cent. to seven per cent. for his money. In the case of France, I remember that Mr. Woodruff said that a series of loans had been made as a result of a forced contribution levied upon the Bank of France (in consideration of the renewal of its charter) without interest. I am as yet to be convinced that there is any considerable number of American farmers who wish loans on these terms, or wish greater favors extended to them than to any other section of the community.

The people of the state of California, at an election recently held, voted down a proposition to allow the state to pledge its credit for rural loans. This required an amendment to the constitution, which prohibits the pledging of the state's credit for any purposes whatever. The circumstance is, however, robbed of some of its significance by the fact that every proposition voted on was defeated, although some of them were most excellent. The fact is that our people are thoroughly sick of elections and particularly of referendum, initiative and recall, fads foisted on us by well-meaning enthusiasts, who have still much to learn regarding popular government and the temper of the American people.

COMMITTEE ON CREDIT FORMS

At the Seattle meeting of the Executive Council of the American Bankers Association authority was given to the President to appoint a special Committee on Credit Forms for the purpose of taking up work in the direction of uniformity of credit blanks for borrowers. President James K. Lynch of San Francisco has accordingly appointed the following committee: W. P. Sharer, president First National Bank, Zanesville, Ohio, chairman; Wm. A. Law, president First National Bank, Philadelphia, Pa., and Nelson N. Lampert, vice-president Fort Dearborn National Bank, Chicago, Ill.

So far back as 1899 the American Bankers Association had a Committee on Credit Blanks whose purpose it was to devise a series of forms on which prospective borrowers could make credit statements. As a result of the labors of this committee and of a revision which took place

in 1910, the Association was able to supply its members with such forms, which have met every requirement and have been used extensively by members of the Association. Since the Federal Reserve Act came into being with the consequent use of credit forms by members of the system on an extensive scale, it has become necessary to take steps looking to the adoption of uniform blanks. It is gratifying to note that the efforts made by the general offices of the Association to have the governors of the Federal reserve banks co-operate in this direction have been most successful. In fact, two of the reserve banks adopted the Association form, and the forms prepared by some of the other reserve banks have shown little variation from those of the Association. It was as a result of this situation that the appointment of the Committee on Credit Forms was authorized.

give part of their time, in some cases assisted by clerical help. Only seven of the associations reporting employ an assistant secretary, and it seems to be the general rule that no officer outside of the secretary and assistant secretary receives pay for his work.

Fifteen of the associations reporting maintain an agency for bonding and burglary insurance; twenty-one do not. Twenty-one have a protective feature, fifteen have a paid attorney and twenty-four have a state badge.

To summarize, it is evident that the great majority of the state associations are actively engaged in work of direct interest and benefit to their members, and that while they may differ in matters of routine, in their various operations there is a uniformity which is almost a family resemblance. And finally, the high percentage of members to eligible non-members is evidence that the state secretaries know how to present convincingly the advantages of organization membership.

MORTUARY RECORD OF ASSOCIATION MEMBERS REPORTED DURING NOVEMBER

- Abeel, George H.—Vice-President Gogebie National Bank, Ironwood, Mich.
- Anderson, Milton—President Citizens Bank, Sheldon, Ill.
- Bornscheuer, Simon—Director Peoples Trust Company, Pittsburgh, Pa.
- Bort, Bruce C.—President First National Bank, Chateaugay, N. Y.
- Brainerd, H. P.—Director Sonoma County National Bank, Petaluma, Cal.
- Brookfield, John B.—Vice-President Belvidere National Bank, Belvidere, N. J.
- Buchanan, W. J.—Vice-President Itaska National Bank, Itaska, Tex.
- Bunce, Frederick L.—President Phoenix National Bank, Hartford, Conn.
- Burkholder, Ezra H.—Director Peoples Trust Company, Lancaster, Pa.
- Burpee, Lester G.—Vice-President First National Bank and First Savings Bank, Oakland, Cal.
- Burpee, W. Atlee—Director Market Street National Bank and Northern Trust Company, Philadelphia, Pa.
- Buttorff, H. W.—Director Fourth & First National Bank, Nashville, Tenn.
- Casteel, H. E.—President Central Trust & Savings Bank, Rock Island, Ill.
- Clarke, J. J. W.—Director Essex County National Bank, Newark, N. J.
- Condit, Orlando Emmons—Director Essex County Trust Company, East Orange, N. J.
- Conover, Charles H.—Director National Bank of the Republic, Chicago, Ill.
- Cooke, John Swinburne—Vice-President Paterson National Bank, Paterson, N. J.
- Day, H. H.—President Tupper Lake National Bank, Tupper Lake, N. Y.
- Denton, Charles C.—Assistant Cashier McEwen Bank, McEwen, Tenn.
- Derr, Andrew Fine—Director Miners Bank, Wilkes-Barre, Pa.
- Drayton, Robert Coleman—Director Commercial Trust Company and Franklin National Bank, Philadelphia, Pa.
- Eldridge, Herbert Rucker—Vice-President National City Bank, New York City.
- Ellison, R. L.—Vice-President Fort Worth National Bank, Fort Worth, Tex.
- Ferguson, Culver—Vice-President North Side Bank, Brooklyn, N. Y.
- Fichtel, Frederick—Vice-President Western Savings & Deposit Bank, Pittsburgh, Pa.
- Franklin, William M.—President Peoples Bank, East Orange, N. J.
- Frew, William Nimick—Director Mellon National Bank and Union Trust Company, Pittsburgh, Pa.
- Good, Brent—Director Citizens National Bank and New Jersey Mortgage & Trust Company, Long Branch, N. J.
- Goodwyn, W. S.—President Greenville Bank, Emporia, Va.
- Gwinn, William Walter—Director First National Bank, Huntington, W. Va.
- Hadden, A. M.—Cashier First National Bank, Cornelia, Ga.
- Hawley, Hanny Mennes—President Bank of Fairfax, Fairfax, S. C.
- Hobbs, William H.—Manager Portland Clearing House, Portland, Me.
- Hotchkiss, Justus Street—Director Second National Bank, New Haven, Conn.
- Johnson, Treby—President Granite National Bank, Augusta, Me.
- Kent, Alba M.—Director First National Bank, Jamestown, N. Y.
- Kirn, Henry—Director Marine Bank, Norfolk National Bank and Norfolk Bank for Savings & Trusts, Norfolk, Va.
- Landell, Edwin A.—President Kensington National Bank, Philadelphia, Pa.
- McDowell, A. H.—Director Franklin Trust Company, Franklin, Pa.
- McKey, William D.—Director Woodlawn Trust & Savings Bank, Chicago, Ill.
- Matlock, Joel H.—President Jackson County Loan & Trust Company, Seymour, Ind.
- Miller, Edwin G. S.—President German-American Bank, Buffalo, N. Y.
- Miller, Philip H.—Assistant Cashier Mechanics-American National Bank, St. Louis, Mo.
- Monahan, John J.—Director First National Bank, Shenandoah, Pa.
- Mowry, Henry P.—President Burr Oak State Bank, Burr Oak, Mich.
- Normann, Max M.—Director Battery Park National Bank, New York City.
- Norton, Horace G.—Director Peoples National Bank, New Brunswick, N. J.
- Norton, James—President Nassau Union Bank, Glen Cove, N. Y.
- Patrick, Richard Montgomery—President First National Bank, Marengo, Ill.
- Philbrick, Enoch G.—President Citizens National Bank, Tilton, N. H.
- Robinson, John D.—Director First National Bank, Bloomington, Ill.
- Rumsey, T. H.—Vice-President First National Bank, Berlin, Wis.
- Sanderson, H. C.—President Guaranty State Bank, Gordonville, Tex.
- Scott, Augustus Elwin—Trustee Lexington Savings Bank, Lexington, Mass.
- Stewart, E.—President Greenup National Bank, Greenup, Ill.
- Whitney, George C.—Director Worcester Mechanics Savings Bank, Worcester, Mass.

RESOLUTIONS OF THE NATIONAL BANK SECTION ON THE COMPTROLLER'S USURY CHARGES AND HIS REPLY

At a recent meeting of the Executive Committee of the National Bank Section, American Bankers Association, held in the offices of the Association at New York, which was attended by every member of the Committee, resolutions were unanimously adopted protesting against the circular issued by Comptroller Williams charging national banks with exacting usurious rates of interest. By vote of the Committee, the secretary pro tem, Fred. E. Farnsworth, was directed to send a copy of the resolutions to Mr. Williams. The resolutions follow:

"WHEREAS, The Comptroller of the Currency has, under date of October 27th, addressed each national bank in the United States on the subject of interest rates charged by some of the banks of the country; and,

"WHEREAS, In the opinion of the Executive Committee of the National Bank Section, American Bankers Association, the practices complained of by the Comptroller are confined only to some sections of the country and are not general; and that, as a matter of fact, millions of dollars are loaned by the banks at much less than legal rates; and,

"WHEREAS, The letter of the Comptroller was given very wide publicity and has created a bad impression and has done a great injustice to the great majority of bankers throughout the country, IT IS THEREFORE

"RESOLVED, That this Executive Committee respectfully asks the Comptroller of the Currency to make such modifications and corrections of his statement as will do justice to the great number of banks, which have not violated the statutes relating to rates of interest."

To these resolutions the Comptroller made the following reply:

Gentlemen: Your letter of the 15th inst. has been received and considered.

You inform me that a full meeting of your committee, held in New York on the 12th inst., took up for consideration a circular letter addressed by this office under date of October 27th, to all national banks, calling the attention of the banks to the laws against usury and to the oaths taken by national bank directors to observe the statutes of the United States. The circular letter also stated that the records of this office show that a great many national banks have grossly violated the usury laws.

You inform me that your committee unanimously adopted a resolution declaring it to be the opinion of the committee that the usurious practices complained of "are confined only to some sections of the country and are not general," and you ask this office "to make such modifications and corrections of the statements embraced in that letter as will do justice to the great number of banks which have not violated the statutes relating to rates of interest."

My statement that "a great many national banks have grossly violated Section 5197, U. S. R. S., against usury," is literally true, and stands in no need of correction. It is a pleasure, however, to me to be able to state that the records show that a large majority of the national banks of the United States, according to the latest reports, are keeping their interest rates within the maximum figures permitted by law.

I was sincerely gratified to be in a position to announce in a public address to bankers a few weeks ago that a majority of the national banks were obeying the

law in this respect. At the same time, there are a great many national banks which have violated the usury law in the past, but which, I am confident, will not again do so, now that the provisions of this law have been made plain to their officers and directors and their attention called to their oaths of office.

As the records of this office show that more than 1,200 national banks, including banks in forty-one states, were charging on some of their loans, as late as September 2, 1915, twelve per cent. per annum interest or more (and in numerous cases more than sixty per cent.), it can hardly be claimed that the charging of excessive rates of interest is confined to either a few banks or a few localities. In twenty-seven of these states, embracing approximately sixty per cent. of the total area of the continental United States, exclusive of Alaska, the rate of twelve per cent. or more is, under any circumstances, usurious.

The location of the national banks charging on some loans twelve per cent. or more was, as stated in my recent public address above referred to, as follows: nine in New York state, six in Pennsylvania, two in Maine, three in Massachusetts, five in Virginia, seven in West Virginia, six each in Florida and Louisiana, sixty-six in Georgia, fifty-two in Alabama, 168 in Texas, seven in Arkansas, seventeen in Kentucky, twenty-eight in Tennessee, four in Ohio, eight in Indiana, forty in Illinois, seven in Iowa, nineteen in Missouri, sixty-nine in North Dakota, forty-eight in South Dakota, twenty-one in Kansas, forty-six in Montana, twenty in Wyoming, sixty-three in Colorado, thirty-three in New Mexico, 287 in Oklahoma, twenty-five in Washington, forty in California, forty-five in Idaho, eighteen in Utah and eight in Nevada; three each in Michigan, Oregon, North Carolina and Arizona. In New Jersey, District of Columbia, Nebraska, Minnesota and South Carolina only two banks in each admitted charging twelve per cent. or higher, and only one in Maryland.

The only states where there were no national banks which admitted under oath in their statements of September 2, 1915, that they were charging as high as twelve per cent. on any of their loans were Connecticut, Delaware, Mississippi, New Hampshire, Rhode Island, Vermont and Wisconsin.

In Maine, Massachusetts, Rhode Island, New York, Pennsylvania, Colorado and California high rates may, under the law, be charged by special agreement. The only other states in addition to the foregoing seven states in which rates as high as twelve per cent. per annum may be charged, even by written contract, according to the reports recently received by this office from the Attorneys General of the several states, are Connecticut, Montana, South Dakota, Idaho, Nevada, New Mexico, Washington, Wyoming and Utah, and wherever in these states rates in excess of twelve per cent. are charged, they are usurious.

One thousand two hundred and forty-seven national banks in thirty-six states, covering seventy-five per cent. of the total area of the continental United States, exclusive of Alaska, in their statements of September 2, 1915, admitted under oath that they were charging on some of their loans rates in excess of the maximum rates permissible, even by special contract, by the laws of their own states or of the United States. The penalty for the charging of usury in several states is a fine or imprisonment, or both.

The records also show that as of September 2, 1915, 1,022 national banks in twenty-five states were, by their sworn reports, charging an average of not less than ten per cent., and in some cases eighteen per cent. on all

of their loans. The sworn statements of the banks in one particular state include a list of 131 banks whose maximum rates of interest ranged from fifteen to twenty-four per cent.; sixty-seven banks whose maximum rates were between twenty-five and sixty per cent.; twenty-two banks which charged between sixty and one hundred per cent., and twenty-six banks whose maximum rates were one hundred per cent. or more.

The sworn reports of the banks also show that, on September 2, 1915, 2,743 national banks, out of a total of 7,613, being more than thirty-six per cent. of all the national banks of the country, were charging on some of their loans ten per cent. per annum or more—in hundreds of banks very much more.

When 2,743 national banks in forty-two states, covering ninety-eight per cent. of the total area of the continental United States, exclusive of Alaska, admit under oath that they are charging ten per cent. or more on some of their loans, and when 1,022 national banks in twenty-five states, which include seventy-four per cent. of the total area of the continental United States, exclusive of Alaska, also confess that they have been charging on an average anywhere from ten per cent. to eighteen per cent. or more on all of their loans, is it not flying in the face of facts to suggest that the practice is confined either to a small area or to a few banks?

It is also worthy of note that a majority of all the national banks in twenty-one states, including over sixty-five per cent. of the total area of the continental United States, exclusive of Alaska, admit that they are charging as high as ten per cent. on some loans, and a majority of all the national banks in six states, whose area embraces more than one-fourth of the territory of the continental United States, exclusive of Alaska, admit, likewise under oath, that they have been charging an average of ten per cent. or more on all of their loans.

Of the 1,022 national banks which certified under oath that they were receiving an average of ten per cent. or more on all of their loans, two were in Illinois, six in Minnesota, two in Missouri, twenty-three in Georgia, six in Florida, twenty-one in Alabama, two in Louisiana, 317 in Texas, seventeen in Arkansas, three in Tennessee, ninety in North Dakota, twenty-five in South Dakota, eighteen in Nebraska, five in Kansas, thirty-eight in Montana, fourteen in Wyoming, thirty-seven in Colorado, twenty-five in New Mexico, 300 in Oklahoma, twelve in Washington, ten in Oregon, thirteen in California, two in Utah, one in Nevada and thirty-three banks in Idaho.

During this same period, while so many national banks were charging excessive rates to customers, the Federal reserve banks were offering money freely to the national banks in every part of the country at rates varying from three and one-half to five per cent., according to the class of paper and the time of maturity. There was no reason why sound, well-managed banks in any section could not have gotten at these low rates all the money required to supply the needs of customers, whether farmers, merchants or manufacturers, or why the national banks should not have loaned the funds to their customers in every case well within the rates prescribed by law.

Under such circumstances, and with these facts before you, I am confident that you will revise your opinion that this office has done, as you express it, "a great injustice to the great majority of bankers throughout the country," in making the statement in my circular letter of October 27th, that "the sworn statements of condition of a great many national banks show that Section 5197, U. S. R. S., against usury, has been grossly violated by these banks."

Concerning your statement that many millions of dollars of money are being loaned by banks at less than the legal rates, may I point out that this is a poor consolation to those borrowers who have been charged and are being charged in so many cases from three to ten

times the legal rate permissible under the laws of the different states and under the provisions of the National Bank Act?

The facts developed in the investigation recently conducted by this office with reference to usury have suggested the desirability of requesting national banks to print hereafter in their published statements of condition the maximum rates of interest charged and the amount of money which they may be lending at rates in violation of Section 5197, U. S. R. S., relative to usury. If this is done, will not the public learn, fairly and rightly, which banks, in the matter of interest charges, are conforming to the law and which are not? Such publication could do no injustice to any bank that honestly tries to keep within the laws which all bank directors have solemnly pledged themselves to observe.

To illustrate the unfairness of some of the complaints made by usurers and which reach this office, let me take this occasion to call attention to an attack made upon the Federal reserve system just a year ago by a certain national bank which denounced the six and one-half per cent. rate for long-time paper, established at the outset by Federal reserve banks (though soon reduced to five per cent.) as "unreasonable," "exacting" and "prohibitive," "prejudicial to the new system" and calculated to shake "confidence" in the "members of the Federal Reserve Board."

An examination of the complainant bank which this office promptly caused to be made showed that this bank, with assets of more than \$1,000,000 had been a gross violator of the usury laws; had been charging its customers for money more than ten times the six and one-half per cent rate which it characterized as "unreasonable, exacting and prohibitive," and had in the three or four months preceding its complaint made more than 400 loans in amounts from fifty dollars to over \$10,000 each, on which it had exacted rates ranging from ten per cent. to one hundred per cent., including one loan of \$2,067 at sixty-four per cent. and another for \$553 at eighty-five per cent.

I realize that a great many banks, including some of the greatest banks of the country, are dealing justly with their customers and maintaining the wise policy of helping in the expansion of business and the guarding of its safety. It is from these very institutions that I hope for aid, both by example and influence, in repressing the practices of which this office has complained, and in protecting borrowers against oppression, and the banking interests generally against public anger, provoked by the offenses of a minority, but bestowed without discrimination.

I hope earnestly we may work together to impress on the offending banks, including so many of the smaller and more remote banks, the principles governing the great number of the most successful banks at the centers and elsewhere, that consideration for the customer and the community is the wisest possible banking and the most certain to bring large and permanent success.

I am certain from the contents of your letter that your committee had no suspicion of the real facts of the situation, as shown by the records in this office. I invite your co-operation in the effort to convince the managers of banks, especially those in villages and towns, that it is as much to their own interest and that of the country, to help the farmers and small struggling manufacturers and storekeepers around them, as the large majority of the big banks have found it to be to their advantage to use their powerful resources to uphold and stimulate the vast commercial and industrial enterprises which contribute so greatly to the growth, the wealth and the prosperity of the country.

As I am advised that your letter to me of November 15th was given to the press I am sure you will appreciate the propriety of my making public this reply.

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

The Evolution of National Money and Its Climax in the Federal Reserve System

Monetary Issues of All Nations Bear on Their Faces the History and Rise of Their Civilization—Our National Bank and Federal Reserve Notes Tell An Eloquent Story.

BY ALEXANDER DEL MAR

THE national money, upon whatever materials its symbols are impressed, whether gold, silver, brass or paper, is the one thing that securely binds a people together. It measures their efforts and rewards, defines their social relations, marks their strength or feebleness, limits or enlarges their opportunities, consolidates their patriotism, or contrariwise, renders them indifferent to the public welfare; perhaps content even to witness the dissolution of an empire whose wealth, abandoned to the ravages of rapacity, has exposed them to poverty and despair.

Hence in all ages the history of civilization makes, its appearance upon the national monetary issues, or in the laws and institutes of their authorization; hence the struggle of heroes, patriots, legislators, to preserve the national money from abuse; hence how its control became the sign of national power and authority; so that the very first public act of every *de facto* chieftain, whether emperor, king or popular leader, has been to issue a monetary symbol to mark his accession to power and authority; hence the national monopolization of the material upon which the monetary issues were stamped; hence the sacred marks upon coins to preserve them from imitation; the bloody punishments to forgers, clippers and adulterers; and the severe penalties attached to the utterance of surreptitious issues.



Bronze coin of Chow dynasty, B.C. 45; scimitar or knife shape; length, 5 inches; weight, 280 grains.—Legend: *Leu Yu*.

Money thus became a national, a regal, an imperial regalia, a prerogative pertaining and of necessity pertaining fundamentally and exclusively to the nation, the sign of its unity, sway and potency, the means always within its grasp of dispensing equity, disseminating opportunity and rewarding merit.



ROMAN REPUBLICAN COINS.

1. Denarius (R); 2. As (F); 3. Sulla (A); 4. Julius Caesar (A); 5. M. Antony and M. Lepidus (A); 6. Octavian (R); 7. Sextus Pompey, Pompey the Great and Cnaeus Pompey (A); 8. Brutus (R).

BRITISH MUSEUM.

Phot. Oxford University Press.

The trial of the pix became a sacred function; the officers of the mint wore sacerdotal robes; sacred temples became the national treasuries; even the coins, the mere symbols of this indispensable institute of society, were held to be as sacred as the effigies stamped upon them. The ramatenkis and chrishnalas of India were kissed to effacement; the hands of piety strung Roman imperial solidi upon the persons of the dead; and today, removed from its original institution by an interval of more than twenty centuries, there still survives the custom of depositing beneath the cornerstones of churches and temples an actual specimen of the national coinage or paper issues.



Bronze coin of Sung, B.C. 2257; bell shape; weight, 325 grains.—Legend: *Taung King fo* = good for gold.

Two thousand years

hence, should one of these corner-stones remain and its American coin of to-day be exhumed, it will be found stamped with the image of Liber Pater, the Phrygian Cap, the sacred word "Liberty," a date, thirteen stars and the name of God. To the instructed mind these marks, when coupled with the weight, assay, measurement and mechanical features of the coin, will disclose not merely our present national status, but also some-



Treasury note, Ming dynasty, A.D. 1368; one-third length. —Legend: Ming paper currency. One thousand tien ('cash'). In accordance with the requirement of the Treasury Board, it is ordered that the Paper Notes duly stamped with the Imperial seal of Ming shall pass current in lieu of bronze coins. Counterfeiting is punishable with death. The informer, upon conviction of the criminal, shall receive a reward of 250 taels, and be entitled to all the property, real and personal, of the condemned. Year, month, and day of the reign of Hung-wu. (Imperial seal in red.)

thing of our origin, past history and future aspirations. Turn over a bagful of Roman *gentes* coins and you will find nothing but the marks of personal rivalries and pretensions; pick up a single aureus of Augustus and you read a page of the national history.

Contrariwise, if you search our old state-bank issues, there is nothing original to reward the inquirer but a bold promise, backed by a vain security; neither of which was connected with national affairs or the public service. The national bank and Federal reserve issues tell a different story. They disclose that long and difficult but inevitable process of personal interest, through which a people, separated by sectional boundaries, animosities and laws, becomes nationalized, united and strong.

When the national banking system was first organized, detecting its defects, I regarded its establishment with apprehension. Upon conferring with its author, Secretary Salmon P. Chase, he candidly admitted the defects and sought to allay the apprehension. "Beside the history and the science of money," said he, "there is a *policy of money* which has little regard either for history or science. It relates not to what *may* be done, nor to what *should* be done, but to what *can* be done.

The national banking system was the best I could do at the time; in future we can patch it up."

But I was not satisfied. It seemed to require more patching than was practicable.

After Mr. Chase became Chief Justice, I had frequent conversations with him on this subject. "If our banking system ever falls under the control of a foreign nation," he acknowledged, "then the power and influence of the Treasury Department will have passed away; if on the contrary, the banking system remains in the hands of our own bankers, it will be improved, and become what I always intended it to become, a strong support to the government."



HISTORICAL GREEK COINS.

1. Philip II of Macedon (A); 2. Alexander the Great (A); 3. Lysimachus of Thrace (A); 4. Seleucus I of Syria (A); 5. Ptolemy I of Egypt (A); 6. Demetrius Poliorcetes of Macedon (A); 7. Mithradates the Great (A).

BRITISH MUSEUM.

Phot. Oxford University Press.

I thought of the Latin Union, the French Indemnity, the German conversion, the furtive alteration of the British Mint laws, the *Haute Banque*, etc., and feared that the control had already passed; Mr. Chase would not credit it; and in such conviction he died; whilst the critic survives, to record this evidence and acknowledgment of Mr. Chase's superior judgment.

Whatever fears a nervous patriot may have once entertained on this subject have since been dissipated by the progress of events; the discoveries in Alaska and South Africa, the present European War, the enormous influx of gold from Europe, the fall of exchange, the borrowing of five hundred millions from us by Great Britain and France. These circumstances prove that no national power, no governmental influence, has passed from us.

Publicity Conducted on a Large Scale by the United States Government

Money Spent by the Federal Government for this Purpose Reaches to Huge Proportions—Only "Favorable" Data Allowed to be Promulgated by Departments.

By L. AMES BROWN

THE United States government goes in for publicity on a bigger scale than any other government in the world or any corporation in its own domain. Annual expenditures of the government for this purpose, although not calculable, have reached tremendous proportions. The size of the task incumbent upon those entrusted with the responsibility of securing this publicity, together with its admitted importance, make governmental publicity a matter of general interest.

The vital publicity of the Wilson administration is handled by the President's secretary, Joseph Patrick Tumulty, through his daily conferences with the forty or more Washington correspondents who visit the White House. Mr. Tumulty has turned out to be an excellent President's secretary, and it is true perhaps that his efficiency in influencing the publicity with respect to the President has had more than anything else to do with stamping him a success. It is also a fact that although the number of out-and-out democratic newspapers in the country is small as compared with the independents and the republican organs, President Wilson, thanks to Secretary Tumulty, has received very kind treatment from the press.

Mr. Tumulty gives out many of the big front page stories which concern President Wilson, but the actual volume of the publicity he procures for the administration is small as compared with that derived through the numerous press bureaus maintained in the government departments and commissions. Many of the departments deny that they conduct publicity work, insisting that they do nothing more than comply with their bounden duty to disseminate to the country the information gathered by the departments. This explanation is emphasized especially by the scientific bureaus because of recent difficulties encountered in Congress in securing appropriations for this work. It is impossible to calculate the annual cost of government publicity work because it consists largely in expenditures for mimeographing, paper, the employment of clerks and other employees regularly assigned to other work, and the use of the mails.

The press bureaus of the departments promulgate only that data which is regarded as favorable. If a correspondent hears of a story which he regards as interesting and important despite the fact it reflects no glory on a certain government bureau or an official, he may find it exceedingly difficult to land the story. The press bureaus themselves generally refuse to give out in-

formation on such "leads," and the correspondent must appeal to some highly responsible official. These bureaus, like other press agencies, are engaged in getting favorable publicity for the departments by which they are maintained, and as a corollary of this duty they give both time and thought to forestalling or preventing the publication of unfavorable newspaper and magazine reports.

The report of Secretary of Agriculture Houston for 1914 disclosed that the "information statements of the Department had been published on more than 250,000,000 printed pages in the previous year." The Department of Agriculture carries on publicity work on a more extensive scale than any other department. This department has a well-organized Division of Information, headed by a division chief whose annual salary is \$5,000. Scarcely ever does a day go by without the delivery to the office of a Washington correspondent of several packets of publicity matter from the Department of Agriculture. These communications consist of advance summaries of documents to be issued by the Department on agricultural science, statements from the secretary referring to existing agricultural conditions, such as the ravages of an agricultural plague, a visitation of pellagra, or the foot and mouth disease, and any occurrences in which the advice of the Department has been sought or its authority and responsibility involved.

Under the administration of Secretary Redfield, the Department of Commerce has become an aggressive bidder for publicity. The secretary utilizes the office of the chief clerk as his publicity department, and bales of statements, copied letters of the secretary and advance copies of his numerous speeches, are sent out through this instrumentality. Dr. E. E. Pratt, the chief of the Bureau of Foreign and Domestic Commerce, is, like his chief, Mr. Redfield, a ready talker for the publicity man. He delivers many speeches, writes many letters and issues many statements to be turned over to the chief clerk, mimeographed and dumped into the mails.

The Department of Justice, the War Department and the Department of State give little attention to publicity. The heads of these departments issue brief statements in regard to actual happenings only in answer to the demand on the part of the public for knowledge as to events of public concern. The issuance of the statements coming from these departments may not properly be referred to as publicity work.

The Post Office Department, on the other hand, employs a publicity man at a good salary who has played an important part in Postmaster-General Burleson's fight for the popularization of the parcels post and the upholding of other of the Burleson policies. Time and time again long statements with argumentative introductions by the publicity man have been issued from the

Postmaster General or other post office officials. The statements have been well gotten up and usually have been sent to the newspapers on Sunday night, when it is generally considered that a story has a better chance of getting a prominent place in the big newspapers than is the case on a week day.

The Department of the Interior is not very active in its publicity work as a general thing. Occasionally, however, when it becomes necessary to advertise the Alaska railroad scheme or some of Secretary Lane's conservation policies the mimeograph is called into play and the newspapers are furnished by a special messenger with adequate data on the pending question. Perhaps the most complete thing of this kind ever turned out by a government publicity man was a recent magazine article with a number of drawings and illustrations in regard to the Alaskan railroad plans which were sent out from the Department of the Interior. Mr. Cato Sells, the Commissioner of Indian Affairs, one of Secretary Lane's subordinates, is perhaps the only government official who ever resorted to verse as a means for securing publicity for his official activities. This Mr. Sells did Christmas a year ago when he composed four or five silly quatrains expressing his affection for his Indian charges, which were mailed widely to the newspapers.

The youngest of the government departments, the Department of Labor, is by no means the least active in the matter of publicity. The Bureau of Labor Statistics especially has been prolific of interesting statements of the results of investigations made into wage and working conditions in various industries.

Secretary of the Navy Daniels, a former newspaper editor, has commended himself to the favor of newspaper correspondents in Washington by his accessibility and the adequacy of the official memoranda issued to the press. The secretary's efficiency in respect to publicity was demonstrated on the occasion of the seizure of Vera Cruz. The mimeograph at the Navy Department was going almost constantly turning out copies of death lists, casualties, biographies of slain or wounded, official reports from Admiral Badger and Admiral Fletcher and

statements by the secretary himself. Mr. Daniels took the position in that incident that the country was entitled to know everything that actually happened at Vera Cruz and he placed few limitations upon his subordinates in the matter of the publication of the reports which came from Admiral Badger. Secretary of War Garrison immediately curtailed this publicity when the army took control at Vera Cruz.

There remains now the Treasury Department to be accounted for before completing the survey of the chief instrumentalities of government publicity. The system early established at the Treasury Department under the present administration was that information of interest should be given out only by the secretary, or with his approval and consent. In the early days of the administration the secretary issued instructions that subordinates were not to discuss the affairs of the Treasury Department with newspaper representatives without permission from his office. Later this regulation was modified, but its issuance had created an atmosphere which materially has deterred Treasury officials from talking about their work. This was especially true when the first income tax returns and collections were coming in and the secretary forced the withholding of the preliminary information until final complete data had been compiled. In the early days of this administration of the present secretary, any assistant secretary or other high official who desired to issue a statement had to send it to the secretary's office for approval and distribution. Even Comptroller of the Currency John Skelton Williams had to abide by this rule for a time. The net result of it all was to bring the secretary into great prominence as the author of every statement of whatever importance which came from the Treasury Department. Many of the newspaper correspondents, however, adopted the practice of eliminating the routine opening paragraph: "Secretary McAdoo said to-day," giving credit for the statement to the official who happened to be the originator of it. Comptroller Williams and the Federal Reserve Board now issue their own statements.

SPRING MEETING OF THE EXECUTIVE COUNCIL

The spring meeting of the Executive Council of the American Bankers Association will be held at Briarcliff Lodge, Briarcliff Manor, N. Y., May 8, 9 and 10, 1916. This decision was reached at a recent meeting of the Administrative Committee at which the relative merits of the various places suggested were carefully gone over. As in former years when the spring meeting has been held at Briarcliff, the hotel will be turned over to the exclusive use of the Council.

Briarcliff Manor is thirty miles from New York

City on the Hudson River. It can be reached by the Putnam Division of the New York Central or by the main line of the New York Central, the railroad station on the main line being Scarborough, and Briarcliff Lodge is about a mile from that station.

Briarcliff Lodge is beautifully situated on one of the hills of the locality, with plenty of rooms for committee meetings and a fine assembly hall for Council meetings, and is a modern up-to-date hotel with most delightful surroundings.



NEW BANK CREDITS MAKE TOTAL FOREIGN LOANS ONE BILLION DOLLARS

By I. NEWTON HOFFMANN

The closing week of November saw the consummation of two large financial transactions with European banking institutions, which has brought up the total of foreign loans made in the United States since the outbreak of the European War to \$1,000,000,000.

The first of the two was the six months' loan of \$50,000,000 made to a group of eight London banks, for which collateral in the form of £11,000,000 British Government securities was deposited with the Bank of England. American banks and trust companies participating in the loan are to receive four and one-half per cent. interest. This banking loan is supplemental to the \$500,000,000 Anglo-French bond issue, and is likely ultimately to be followed by other banking loans of a similar nature, but perhaps with a different form of security.

The second transaction, though tentative, was a credit loan of \$42,000,000 made to Russian banks by the Guaranty Trust Company, an institution which had previously extended a credit of \$18,000,000, thus making a total of \$60,000,000. The loan is to bear interest at five per cent., and is to run for ninety days, but is renewable up to eighteen months on a payment of one per cent. additional interest for each ninety-day extension. The money is to be spent in the United States and will be used principally for the purchase of railroad supplies and war munitions.

THE BRITISH BANKING CREDIT

Even before the Anglo-French Financial Commission completed its negotiations here for the \$500,000,000 government loan, representatives of the large Wall Street banks undertook the consideration of supplemental banking loans with Sir Edward Hopkinson Holden of the London City & Midland Bank, a member of the Commission. Shortly before his departure for Europe, he conferred with a number of New York bankers who indicated the arrangements that could be made for further loans in the form of banking credits. The establishment of credits in this country was sought, both because it was a means for supplying British banks with funds and as a means of supporting rates of sterling exchange, which, because of the large and ever-increasing balance of trade in favor of this country had declined to a very low point. By establishing credits here, English banks did away, in a measure, with the necessity of shipping gold, and at the same time afforded means to their customers for paying their bills here without being obliged to make good the difference in exchange—a factor of no small consequence, when it is considered that the pound sterling had depreciated as much as seven per cent.

Upon his return to London, Sir Edward discussed the situation with his fellow bankers, and it was finally

determined to appoint a committee representing the joint stock banks to handle the transaction. This committee consisted of Lord Cunliffe, Governor of the Bank of England; Sir Felix Schuster, Bart., Governor of the Union of London & Smiths Bank, and Sir Edward Holden, Bart., Chairman of the London City & Midland Bank.

The negotiations, on behalf of the New York bankers, were carried on by a committee organized by Frank A. Vanderlip, president of the National City Bank. The committee was composed of James S. Alexander, president of the National Bank of Commerce; Albert H. Wiggin, president of the Chase National Bank; Charles H. Sabin, president of the Guaranty Trust Company; Seward Prosser, president of the Bankers Trust Company; Robert Y. Hebden, agent for the Bank of Montreal; William H. Porter of J. P. Morgan & Co.; George M. Reynolds, president of the Continental & Commercial National Bank of Chicago; James B. Forgan, president of the First National Bank of Chicago; and three foreign exchange experts—Max May, vice-president of the Guaranty Trust Co., John E. Gardin, vice-president of the National City Bank and Fred. I. Kent, vice-president of the Bankers Trust Company.

The committee held several meetings at which were discussed various cable messages that had been exchanged with the London bankers.

London Asks for Terms and Conditions

While the credit arrangement was under discussion, and it was generally understood that the London bankers would act through their committee, considerable surprise was expressed when one morning a half dozen of the large New York financial institutions received cable inquiries from leading London banks requesting a statement of terms and conditions under which a credit loan would be established. A comparison of the inquiries speedily revealed the fact that the British banks had evidently taken concerted action in an effort to sound the New York banks in regard to the rates that would be charged.

While some of the New York banks sent independent replies to the cable inquiries, a large number waited until after the meeting of the Vanderlip committee, and responded by quoting the rate, namely, four and one-half per cent., that had been determined at the conference.

Some of the financial institutions, which had objected to the method adopted in organizing the American committee and some which had entirely disapproved of committee action, quoted rates below four and one-half per cent. The London bankers then immediately sent word that they saw no reason for dealing with a committee if they could make arrangements with individual banks and trust companies to better advantage. One large trust company was reported as having practically

closed a transaction involving \$18,000,000 at the lower rate, but subsequently the deal was called off.

As finally announced, the loan of \$50,000,000 is to be the several obligation of eight London banks. A list of them with their "paid-up" capital and the names of the head of each bank follows:

Lloyds Bank—Richard Vassar Vassar-Smith, chairman,	£5,008,672
London City & Midland Bank—Sir Edward Hopkinson Holden, Bart., chairman,	4,780,792
Union of London & Smiths Bank—Sir Felix Schuster, Bart., governor,	3,554,785
London County & Westminster Bank—the Right Hon. the Viscount Goschen, chairman,	3,500,000
Parr's Bank—Cecil F. Parr, chairman,	2,423,530
Barclay & Co., Limited—Francis Augustus Bevan, chairman,	3,600,000
National Provincial Bank of England—the Right Hon. Lord Incheape, director,	3,000,000
London Joint Stock Bank—the Right Hon. the Viscount Milner, director,	2,970,000

The first four banks obligated themselves to the extent of \$7,500,000 each, while the other four agreed to take \$5,000,000 each.

Banks in the United States which desire to share in the loan will receive participations which will comprise obligations of each of the eight London banks. It is expected that Chicago banks which refused to have anything to do with the \$500,000,000 Anglo-French bonds will take part of the \$50,000,000. Profiting by the mistake made by the interests handling the \$500,000,000 transaction, who forgot or refused to give Chicago recognition, the Vanderlip committee determined right from the start to give the western city representation by the selection of Messrs. Reynolds and Forgan.

It is understood that within a short time, further loans in the form of banking credits will be placed here by British financial interests. These may take the form of acceptances, or may be secured by the deposit of American stocks and bonds. It is expected that the new loan will be for at least \$100,000,000.

Cable reports from London tell of the taking of a census of American securities, which probably will be followed by a so-called "mobilization." The American securities thus collected may not be sold in the United States, but merely set aside for use as collateral for additional loans.

Borrowing in the United States has proceeded along three stages: First, the \$500,000,000 bond issue, unsecured, and based exclusively on the credit of the British and French Governments; second, the \$50,000,000 bank loan secured by the deposit of British Government securities; and third, there will be a loan protected by the deposit of American securities.

THE RUSSIAN CREDIT

Russia, which did not share in the \$500,000,000 Anglo-French external loan, has had considerable difficulty in getting accommodations in the United States. It has sought to induce munition manufacturers to accept Russian Government Treasury notes in part payment of purchases, but in many cases the proposal has been rejected.

The \$25,000,000 of acceptances negotiated by a banking syndicate, which have since been paid, was rather costly for the Russian Government. For some months past, banks and bankers here have been sounded in regard to the sale of Russian Government bonds in the United States, it being intimated that the rate of interest would be made attractive, seven per cent. having been mentioned. The New York banks have advised Pierre Bark, the Russian Minister of Finance, that, in their opinion, it would be inadvisable to attempt to float such an issue, and consequently plans along those lines have, temporarily at least, been abandoned.

Under the circumstances, Russia has been obliged to seek banking credits, and having succeeded in making an arrangement by which practically \$60,000,000 has been placed to the credit of the Russian banks, efforts will now be made to obtain additional accommodations at other New York institutions.

Foreign Loans Total a Billion Dollars

The foreign loans floated in the United States since the outbreak of the war now total \$1,000,000,000. Of this sum, nine countries of Europe have taken about \$800,000,000; the Canadian Government and Canadian provinces and municipalities about \$150,000,000, and four Latin-American countries, including the Republic of Panama, about \$50,000,000. The tabulation of the loans made during the past fifteen months is necessarily incomplete by reason of the fact that many of the foreign transactions entered into by American financial institutions have been of a private nature and consequently records of them are unavailable.

Following is a list of the loans divided into the three groups:

EUROPE.

Anglo-French Gov't... 5 per cent. 5-year bonds,	\$500,000,000
British banks..... 6 months 4½ per cent. bank loan	30,000,000
Italian Gov't..... 1 year 6 per cent. bonds,	25,000,000
Russian banks..... 90 day loan 5 per cent. renewable (pending),	60,000,000
Russian Gov't..... acceptances (since paid),	25,000,000
Russian..... private arrangement,	5,000,000
Russian.....	2,000,000
French Gov't..... notes (since paid),	10,000,000
French Gov't..... 1 year 5 per cent. notes,	30,000,000
French Gov't..... commercial credit,	20,000,000
French Gov't..... 1 year banking credit,	15,000,000
German Gov't..... 9 months notes 5 per cent.,	10,000,000
Greece..... negotiated with bonds,	7,000,000
Sweden..... 2 year 6 per cent. notes,	5,000,000
Norway..... 2-3 year 6 per cent. notes,	3,000,000
Switzerland..... 1-3-5 year 5 per cent. notes,	15,000,000
Miscellaneous banking..... credits and loans (estimated),	18,000,000
TOTAL EUROPE,	\$800,000,000

LATIN AMERICA.

Argentina..... 1-2 & 3 year 6 per cent. notes,	\$15,000,000
Argentina..... 5 year 6 per cent. treasury gold bonds,	25,000,000
Bolivia..... negotiated with bank,	1,000,000
Republic of Panama..... 30-year ss.,	3,000,000
Republic of Chile.....	6,000,000
Santiago de Chile Water Company.....	500,000
TOTAL,	\$50,500,000

CANADA.

Canadian Gov't.....	5 per cent. gold notes, 1 and 2 years.....	\$45,000,000
Canadian Pacific Ry.	Equipment trust notes.....	12,690,000
Montreal.....	5 per cent. 3-year debentures.....	6,900,000
British Columbia.....	1 year 4½ per cent. treasury bills.....	2,700,000
Can. North. Ry.....	5 per cent. equipment notes.....	2,000,000
Can. North. Ry.....	5 per cent. notes.....	11,500,000
Toronto Harbor.....	4½ per cent. bonds.....	1,000,000
Toronto Railway.....	6 per cent.....	1,500,000
Toronto, City of.....	5½ per cent. debenture notes.....	3,000,000
Alberta, Univ. of.....	4½ per cent. 10-year debentures.....	1,000,000
Alberta, Prov. of.....	5 per cent. gold debenture bonds.....	4,000,000
Ontario, Prov. of.....	A 9-mo. loan at 3½ per cent.....	2,000,000
Ottawa, City of.....	5 per cent. 1-year notes.....	1,000,000
Manitoba, Prov. of.....	5 per cent. 5-year debentures.....	5,475,000
New Brunswick, Prov. of.....	5 per cent. 5-year bonds.....	700,000
Sault Ste. Marie, City of.....	5 per cent. 30-year debs.....	500,000
Ontario, Prov. of.....	5 per cent. 5-year bonds.....	3,000,000
Calgary, City of.....	3-year treasury notes.....	2,000,000
Saskatchewan, Prov. of.....	5 per cent. 3-year bonds.....	2,500,000
Saskatchewan, Prov. of.....	Further issues arranged for.....	3,500,000
Montreal Trans. & Power.....	2-year 6 per cent. notes.....	7,000,000
Winnipeg Electric Ry.	1 and 2-year gold notes 6 per cent.....	1,500,000
Quebec, Prov. of.....	3 or 5-year per cent. gold bonds.....	6,000,000
Quebec, City of.....	5s. 1920.....	2,125,000
Toronto, City of.....	4½ per cent. bonds, due Jan. 1, 1949 and 1955.....	2,500,000
Alberta City Light.....	20-year 5 per cent.....	98,000
Edmonton, Alberta School District.....	40-year 5 per cent.....	850,000
Nova Scotia.....	1-year 4½ per cent. bank loan.....	1,000,000
Vancouver.....	10-year 4½ per cent.....	827,000
City of South Vancouver.....	3-year 6 per cent.....	790,000
Victoria, B. C.....	3-year 5 per cent.....	1,000,000
City of St. Boniface.....	200,000.....	200,000
City of Hochelaga.....	25-year 5 per cent.....	375,000
City of Maisonneuve.....	2½-year 6 per cent.....	800,000
Miscellaneous bank loans and securities.....		12,970,000
TOTAL.....		\$150,000,000

In addition to the various private arrangements referred to in the above table, many banks and trust companies have accorded large lines of credit to foreign banks and foreign merchants.

America's financing of Canadian enterprises, particularly of Canadian provinces and municipalities, is an innovation in this country's banking. Heretofore, practically all such financing has been done in London, but on account of the war the business has been transferred to New York. In addition to the transactions mentioned in the above table, several banks and trust companies have purchased bond issues privately which have been distributed among investors without any publicity.

That the total of American investments in foreign securities is greatly in excess of even \$1,000,000,000 is the opinion of some bankers, who declare that since the outbreak of the war there have been substantial purchases by individuals of foreign stocks and bonds not offered for sale in this country. Among securities in this class may be mentioned the German war bonds issued in marks and sold here by a private banking house and the British war loan bonds which have been bought by English sympathizers. In addition, private investors have taken advantage of the decline in prices of foreign railroad and industrial securities and have bought them for investment. In doing so they have also reaped the benefit of the depreciation in the currency of the nations at war.

CONDITION OF LONDON BORROWING BANKS (JUNE 30, 1915)

BANKS	Deposits	Total Assets	Cash in Hand and Money at Call or Notice	Per Cent.	Investments	Per Cent.	Loans and Discounts	Per Cent.
	£	£			£		£	
Lloyds.....	134,524,366	147,632,763	38,475,209	26.0	23,561,315	16.0	78,219,431	53.1
London City and Midland.....	142,388,314	159,143,869	45,886,669	28.8	20,069,794	12.6	82,506,561	51.9
London County & Westminster.....	111,138,286	125,190,180	43,645,406	34.9	16,013,128	12.8	59,816,928	47.8
Union of London & Smiths.....	48,994,683	56,844,515	19,159,044	33.8	9,171,081	16.2	24,626,157	43.5
Barclay & Company.....	76,431,069	82,639,649	23,086,364	28.0	15,954,863	19.3	40,754,174	49.5
National Provincial of England.....	85,184,187	90,716,332	17,669,527	19.5	19,049,515	21.0	53,997,290	59.6
London Joint Stock.....	45,173,086	50,815,148	14,147,306	27.8	7,185,121	14.1	26,895,584	53.0
Parr's.....	57,845,368	65,452,348	25,212,121	38.5	11,256,317	17.2	25,822,213	39.5

WORK FOR THE NATIONAL BANK SECTION

With the National Bank Section launched as a live organization, a veritable swarm of suggestions for its future activity have been offered. At the present time the following list seems to be a crystallization of what the Section may actually be expected to take up:

- Change in the law regarding the office of the Comptroller of the Currency.
- Change in the system of bank examinations.
- Domestic acceptances.
- Change in reserve requirements.
- Amendment to the Clayton Bill regarding interlocking directors.

- Branches of national banks in the same city.
- Elimination of the waiver of demand, notice and protest.
- Law on rates of interest to be charged by national banks.
- Segregation of capital for foreign branches.
- Government deposits.
- Foreign branches and the power of member banks to take capital in banks organized for foreign trade.
- Reform of the currency.
- Bank taxation.

Status of Bank and Trade Acceptances Under the Federal Reserve Act

Even Under Present Unsettled Conditions, they have Proved their Usefulness as the Best Bank Medium for Making Commercial Settlements—Trade Debts Should be Converted into Acceptances.

THAT bank and trade acceptances have already proved their worth in business transactions even during the short period of one year that the Federal Reserve Act has been in operation and in spite of unsettled conditions, is the conclusion reached by two well-informed bankers speaking on the subject in widely separated parts of the country. Albert Breton, vice-president of the Canal Bank & Trust Company of New Orleans, addressing Group I of the Ohio Bankers Association on October 19th, took for his topic the "Development of American Bank and Trade Acceptances;" while a few days later W. F. H. Koelsch, vice-president of The Bank of United States, New York, N. Y., addressing the New York State Conference of Credit Men, spoke on "Trade Acceptances Encouraged by Our Federal Reserve System."

So far as trade acceptances are concerned, both speakers left no doubt of their conviction as to the desirability of substituting these acceptances for the open account, as being eminently superior in making commercial settlements. In regard to bank acceptances, Mr. Breton stated that from his experience he was convinced that the open market of discount for bank acceptances would in no way interfere with the discount of single name commercial paper, which would continue to be handled as freely and on the same basis as before bank acceptances were in existence. Mr. Breton's address was in part as follows:

BY ALBERT BRETON

Vice-President Canal Bank & Trust Co., New Orleans

Soon after the enactment of the Federal Reserve Act, the matter of extending national bank acceptances to our domestic trade attracted the attention of many business interests and was thoroughly discussed in the press by some of our prominent Federal legislators and leading financiers; opinions were broadly divided at first, but after one year of practice and on account of the great convenience already shown by the system, the opposition seems to have lost a good deal of its strength; let me state further that I have been reliably informed that the Federal Reserve Board, whose businesslike policy and broadminded interpretation of the provisions of the Federal Reserve Act, deserve full recognition and high praise, intends to recommend to Congress a few amendments among which there will be one to extend to national banks the power to accept bills involving domestic commercial transactions. Such a change may induce some state banks and trust companies to join the Federal system. Pending the final verdict of Congress on

this issue, I deem it proper to call attention to some interpretations of the law as it now stands as well as to sundry regulations announced during this year by the Federal Reserve Board.

First: The goods relating to the drafts issued on a member bank must not necessarily have been shipped before the acceptance of the drafts by the member bank. As soon as the order for the goods is placed, or an actual sale is effected, and as long as the goods are intended to be imported into the United States, or to be exported from the United States, as the case may be, the drafts may be issued and accepted by the American bank through which the reimbursement has been arranged.

Second: The Federal Reserve Board has ruled that a "banker," using the word in its general sense, may be the drawer of a bank acceptance; in other words, banks, trust companies, private banking and discounting houses, whether they belong to the Federal reserve system or not may themselves issue drafts of six months' maturity, or less, on other banks, provided such drawings involve either immediately, or at a future date, the importation or exportation of goods for account of their customers. By this regulation, official recognition is given in America to time drafts issued by a bank on another bank, such as those referred to by me as "Finance Acceptances" in my previous address on bank acceptances, last April, and about which the Federal Act and the state laws are silent. This ruling permits our banks to issue time drafts for account of long distance and foreign customers and makes such drafts as those issued by the French banks on the American banks against the export credit mentioned above, eligible for rediscount at the Federal reserve banks. I understand that these acceptances—running ninety days, have been sold in New York at a rate of discount as low as two per cent. per annum; the rate may be considered an exceedingly low one at the present time, but it is very seldom that we have the opportunity of seeing bills drawn by bankers like the Rothschilds of Paris on American bankers like the Morgans of New York, or by a concern like the Credit Lyonnais, on an institution like the Farmers Loan and Trust Company, of New York. This instance asserts once more the readiness of the discount market always to pay extra fine rates for choice acceptances.

Third: The Federal Reserve Board has also decided that, until further notice, bank acceptances may be renewed under certain special conditions even after the goods have been surrendered to the purchaser or consignee. I cannot better explain the object of this ruling than by copying the statement issued by the Board on the 10th of September, and reading as follows:

The United States should now do what Europe has done for many generations for the United States, that is to say the bank facilities of the United States should be issued for the carrying of import and export transactions for foreign countries just as much as Europe up to now carried the acceptance on the import and export transactions of the United States.

In order to do this with the exchange market disorganized, it was thought that it would facilitate foreign transfers if liberal conditions should be allowed for the renewal of such drafts, so as to enable these foreign countries to have ample time to procure the necessary cover against the acceptances drawn by them.

I have been talking much more about export bank acceptances than any others, although the general impression last year, when bank acceptances were introduced into this country, was that import acceptances, with apparently the best commercial fields to be worked on, would be the ones to be used the most and meet with the greatest development. We had not counted then on the consequences of the war, nor anticipated the special business transactions arising from it. Our imports from the countries of Europe have decreased to the smallest figures on record, whereas the enormous purchases of staple products, manufactured goods and all kinds of machinery made by the very same countries, have resulted in a remarkable increase of our exports. Furthermore, owing to the present disorganization and uncertainty of the foreign exchange market, resulting in the unwillingness of most of the American shippers to take any chances in the reimbursement of their goods, a very great number of export dollar credits had to be arranged through American banks. This was the most practical way to provide a prompt and safe settlement, and it naturally resulted in a large amount of American bank acceptances, involving the exportation of goods, being issued and put in circulation.

Coming back to domestic acceptances, a few note brokers of the large cities dealing in single name paper tried at first to induce their customers to oppose domestic acceptances on the ground that their negotiation by the banks in the open market of discount would deprive commercial houses of selling, as heretofore, their own single name notes. These brokers should add that it would, at the same time, deprive them of their own commission. Our experience in this respect permits us to state that the open market of discount for bank acceptances is entirely separate from, and will in no way or form interfere with the discount of single name commercial paper which will continue to be handled as freely and on the same basis as before bank acceptances were in existence. Both have different quotations varying from one to two per cent. in favor of bank acceptances and this because, as a banking risk, a draft issued by a good firm and accepted by a good bank, cannot be compared and viewed in the same light as a single name note, no matter how high the maker may stand. Banks having surplus funds to invest will always be attracted by the commercial paper of a responsible house because it commands a more profitable rate of discount than bank acceptances. Even when their respective limits for the purchase of single name paper of certain firms are reached banks will not hesitate to bid and pay a

better rate for drafts issued by the same firms and accepted by well known banks. Instead of curtailing their facilities, bank acceptances may, on the contrary, enlarge the financial accommodations put at the disposal of reliable firms or corporations.

To make myself clearer, let us suppose that a bank, or a discount house, purchases the single name notes of a certain firm up to \$50,000; this transaction will not prevent the same bank from purchasing, for even a larger amount, bills drawn by the very same firm and accepted by satisfactory banks, the liability and credit of which will mostly be taken into consideration in this second transaction.

With regard to *trade acceptances*, the Federal Reserve Act contains no special restriction concerning foreign shipments to or from the United States. They are, therefore, considered by the Federal Reserve Board, whether covering domestic or foreign transactions, as commercial paper eligible for discount with the Federal reserve banks, provided, however, they have a maturity at the time of discount of not more than ninety days, and provided they are accepted by the purchaser of goods sold to him by the drawer. As you may be aware, the rate of discount fixed by the Federal Reserve Board for trade acceptances with the Federal Reserve banks is lower than the rate applied to single name paper. This difference in favor of trade acceptances will most probably stimulate our merchants to insist on this most practical way of getting their accounts settled and influence the development of a class of double name commercial paper which has always been considered a desirable form of investment by the banks of Europe.

Concerning the compensation to be charged by the banks for accepting drafts issued on them for account of their customers, I must say that it is rather difficult to name a uniform rate of commission. It necessarily varies with the customer's responsibility and with the value of his account to the bank. The same considerations should govern the rate of commission to be applied to acceptances as those applied to loans. The rates change according to the maturity of the bills, but as a fair average I may name one-half of one per cent. for sixty and ninety days sight drafts, three-quarters of one per cent. for four months and one per cent. for six months, as rates of commission paid by commercial houses. When the customer is a banker, the commission is generally reduced to half of the rates charged to commercial houses.

Like money rates, commissions on acceptances will probably follow the commercial and financial importance of the cities where the accepting banks are located; competition may have sometimes to be contended with, but bankers of the same city ought to work in harmony and close together in this particular line of business. This has always been the policy of the European banks.

Instead of charging a commission, some banks, when accepting the drafts, discount them immediately and credit their customers at a flat rate of discount, the profit of the accepting bank arising then from the difference between the rate charged to the customer and the rate of discount paid by the bank when selling the drafts.

Generally speaking, there are three ways for a bank to dispose of acceptances held by it.

Selling Through Brokers

First: Selling through brokers in one of the open markets of discount now regularly established in cities like New York, Chicago, Boston, Philadelphia, etc., where large amounts of bills may be negotiated at rates quoted daily and published in their local papers. To make them more attractive to investors and to avoid collection charges, bank acceptances should always be made payable at one of the accepting bank's correspondents in New York, or in some other important money center of the country. The commission charged by brokers to banks averages one-quarter of one per cent. *per annum* on the face value of the drafts.

Second: Selling direct to one of its correspondents or reserve agents.

The leading banks of all the principal reserve cities have seemed inclined to invest in bank acceptances and have been bidding good prices. I know a few instances where they have paid as good rates as those offered by brokers in the open market. In many cases, however, the rate charged by the correspondent or reserve agent will depend on the average balances and the nature of the account kept by the bank offering the acceptances.

Selling to the Federal Reserve Bank

Third: Selling to the Federal reserve bank of their district, provided, however, that the bank rediscounting the acceptances is a member of the Federal reserve system and that the bills offered are eligible for rediscount according to the regulations of the Federal Reserve Board. The rates of discount are fixed by the Federal Reserve Board and vary according to money conditions in the different Federal reserve districts. Bank acceptances enjoy a special low rate of discount compared to the rates applied to other classes of discounts, the difference ranging now from one to two per cent.

I may add that some of the Federal reserve banks, according to the privilege accorded them by the Federal Reserve Act, have been buying in the open market acceptances of banks and bankers, members or non-members of the Federal system, at very low rates of interest, this being the only way to invest, under present easy money conditions, the large amount of surplus funds actually held by them.

All the foregoing facts and arguments hereby submitted will, I hope, convince you that bank and trade acceptances have already proved, even under the unusually difficult and rather unsettled business conditions of the past year, their real usefulness; next to paper currency, they are the best bank medium to make commercial settlements; they afford our financial institutions the opportunity to furnish their good customers with additional facilities to carry their legitimate trade and to do so without departing from the sound principles of banking, and last but not least, they will tend to equalize the money rates which are now so much apart from each other in the different states, thus concentrating the resources of this great Union and completing its financial independence.

BY W. F. H. KOELSCH

Vice-President The Bank of United States, New York

When the Federal Reserve Act became operative the interest of merchants and bankers was centered to a large extent on the probable interpretation of Section 13, which bears upon the question of the character of paper eligible for rediscount by Federal reserve banks.

The Federal Reserve Board has by gradual stages led up to the point where it is now apparent that commercial paper to be eligible for rediscount and as a basis ultimately for currency issue should be essentially self-liquidating or, as expressed in the Board's regulation issued in November, 1914, "should represent in every case some distinct step or stage in the productive or distributive process—the progression of goods from producer to consumer."

It was made perfectly plain that double name paper drawn on a purchaser against actual sale of goods would be preferable to single name paper which does not give *prima facie* evidence of the character of the transaction from which it arose.

One thing can be said, I believe, with absolute certainty, that under no other banking system where credit forms the basis of currency would single name paper, such as has been termed among our bankers for years as "commercial paper," be accepted for discount by a bank of issue.

When the Federal Reserve Board on July 16th promulgated Regulation P, series of 1915, it became evident that the regulation issued last November, previously referred to, was in effect really to prepare the way for the final definition of "trade acceptances." Other rulings in the meantime also pointed out that eventually double name paper would be shown preference. This was finally demonstrated when the board approved a rate for trade acceptances of one-half of one per cent. below the regular discount rate. The significance of this material variation in rate is apparent, as it was originally proposed to fix "a slightly lower rate" for two name paper than for single name notes.

A trade acceptance is nothing other than a bill of exchange, which is an ancient commercial instrument well known all over the world. It is covered fully by the Negotiable Instruments Law, which latter is founded upon the Bills-of-Exchange Act, one of the fundamental commercial laws of England.

The Federal Reserve Board has defined a trade acceptance fully, and it has decreed that in order to be eligible for re-discount, a bill must upon its face state the following:

"The obligation of the acceptor of this bill arises out of the purchase of goods from the drawer." Or be accompanied by a certificate to that effect.

Surely nothing could be more simple in form than this, and in passing, it might be well to mention that before a drawer and acceptor signed such a document it would be fair to assume that they would hesitate to do so unless there had been an actual commercial transaction. The temptation to perpetrate a fraud, in the form of trying to negotiate a bill of this kind as a trade

acceptance, if it were only an accommodation bill, would not be likely to prove alluring. Even in the absence of special legislation, the assumption that a case of criminal conspiracy to defraud would not be difficult to prove seems quite reasonable.

The question now arises, when will our merchants and bankers do their share to further the efforts of the Federal Reserve Board in this earnest endeavor to elevate credit conditions to a sound basis as a means of "preparedness" for the time when the stability of an elastic currency will be put to the test as it ultimately must be.

The solution lies in the substitution of the trade acceptance for the open account—replacing rigid book credits with liquid trade acceptances. All other changes to be made are matters of detail. Trade discounts can be adjusted to meet these requirements or if need be they can be eliminated. When someone tells you he is opposed to this change because he has always done his business the old way, he is offering you an excuse and not advancing a reason. By making the change the following results will be accomplished:

- (a) The desire of the Federal Reserve Board to substitute trade acceptances for open accounts.
- (b) The final ending of the pernicious practice of taking unauthorized and unearned discounts.
- (c) The curbing of the unfair practice of returning merchandise after shipment has been made, and prior to the due date of the open account.
- (d) The conversion, automatically, of such portion of a

merchant's liquid assets consisting of book accounts, to self-liquidating commercial paper, in form desirable for rediscount in the open market at advantageous rates.

- (e) The most satisfactory definite solution of the assigned account problem.
- (f) Reducing to a considerable degree the temptation to overbuy—a quite serious and growing evil among merchants—who are encouraged in the practice by too liberal terms of payment. By closing a transaction with an acceptance a buyer of goods will be influenced by a more conservative policy if he is required to do so by accepting a draft drawn by the seller, instead of contracting the debt on the basis of an open account of more or less definite time of settlement.

Just one more reference to the desirability of converting accounts receivable into acceptances. Under such a condition the merchant of small or moderate means would not be placed in the position of being forced to hypothecate his accounts receivable in order to meet his own engagements and to prevent financial embarrassment, which condition occasionally arises, and frequently results in serious loss to general creditors and harshly criticised bankruptcy proceedings. The volume of commercial paper created in this way would regulate itself automatically if based upon actual commercial transactions, and the rule would apply equally and proportionately to the dealer of large and small means alike.

A COUNTRY BANKER'S FIRST CONVENTION

So much is said and written—a great deal by hearsay—about the attitude of the country banker toward conventions that a genuine expression of opinion occasionally is of interest. The following is an extract from a letter of appreciation written by a country banker to the General Secretary of the American Bankers Association commenting on the Seattle convention last September: "I attended my first annual convention at Se-

attle, but was so pleased with it that I purpose to make it an annual event from this time forward, unless extraordinary business prevents. There is no doubt in my mind about the value of these meetings, to the country banker particularly, so I expect the future will give me numerous opportunities to renew our acquaintance made at Seattle."

A letter of this sort is distinctly "worth while."

SING SING BANK PROTECTS ITSELF

At Sing Sing Prison, Ossining, N. Y., they have a Mutual Welfare League, the purpose of which is to make conventional prison life as sweet a song as it is possible for prison life to be.

The Mutual Welfare League has a bank, which in turn has a treasurer. In private life this treasurer is—or was—a clever forger and he knows the value of suitable protection for a bank. Moreover, he seems to have his own ideas as to the honesty and intentions of the people who visit the prison.

In a recent letter to the William J. Burns Interna-

tional Detective Agency this treasurer wrote: "I am working in the treasury department here and as it is new we can use a sign of yours. You see, all the visitors come to the bank and we want a sign reading that we are protected by your agency." Whether or no the writer of the letter realizes the humor of the situation it is not possible to say; but at all events the bank of the Mutual Welfare League, Sing Sing Prison, Ossining, N. Y., now boasts of a Burns sign and is, therefore, adequately protected against the depredations of marauding visitors.

REGISTRATION AT THE ASSOCIATION OFFICES

FOR THE MONTH OF NOVEMBER, 1915

- Andrews, A. C., cashier Chase National Bank, New York City.
- Ayres, J. D., vice-president The Bank of Pittsburgh, N. A., Pittsburgh, Pa.
- Barker, Joseph L., New York manager "United States Investor," New York City.
- Bucholz, W. H., vice-president Omaha National Bank, Omaha, Neb.
- Calfee, J. S., cashier Mechanics-American National Bank, St. Louis, Mo.
- Campbell, Henry M., Detroit, Mich.
- Collins, Charles F., chairman of board, Wayne County and Home Savings Bank, Detroit, Mich.
- Cox, J. Elwood, president Commercial National Bank, High Point, N. C.
- Cutler, Ralph W., president Hartford Trust Company, Hartford, Conn.
- Donald, James M., chairman of the board Hanover National Bank, New York City.
- Davenny, Wilson I., field secretary National Rivers and Harbors Congress, Washington, D. C.
- Dudley, Guilford, president Fallkill National Bank, Poughkeepsie, N. Y.
- Fitton, S. D., president First National Bank, Hamilton, O.
- Goodall, Edwin, Hackensack, N. J.
- Hall, Frank G., Chicago, Ill.
- Higbie, R. W., director Jamaica Savings Banks, Jamaica, N. Y.
- Hinsch, C. A., president Fifth-Third National Bank, Cincinnati, O.
- Hinsch, Mrs. C. A., Cincinnati, O.
- Hooke, F. Howard, editor *The Financial Age*, New York City.
- Howard, Edmund, London, Eng.
- Hyde, F. W., cashier National Chautauqua County Bank, Jamestown, N. Y.
- Ireland, E. B., manager Canadian Bank of Commerce, Seattle, Wash.
- Jay, Pierre, chairman Federal Reserve Bank, New York City.
- Kiesewetter, L. F., vice-president Ohio National Bank, Columbus, O.
- Knight, John A., New York City.
- Law, Wm. A., president First National Bank, Philadelphia, Pa.
- Lersner, V. A., comptroller Williamsburgh Savings Bank, Brooklyn, N. Y.
- McCune, Samuel L., secretary The Maynard H. Murch Company, Cleveland, O.
- McHugh, John, vice-president Mechanics and Metals National Bank, New York City.
- Manning, C. N., secretary and treasurer Security Trust Company, Lexington, Ky.
- Mason, J. H., vice-president Commercial Trust Company, Philadelphia, Pa.
- Meador, W. G., treasurer Attleboro Trust Company, Attleboro, Mass.
- Otte, H. E., vice-president The National City Bank, Chicago, Ill.
- Peace, Robert G., credit manager Franklin Trust Company, New York City.
- Pugsley, C. A., president Westchester County National Bank, Peekskill, N. Y.
- Roberts, George E., assistant to the president National City Bank, New York City.
- Ruffin, B. A., Richmond, Va., secretary Insurance Committee American Bankers Association.
- Ruggles, C. A., manager Boston Clearing House, Boston, Mass.
- Sands, Oliver J., president American National Bank, Richmond, Va.
- Smythe, B. E., president Gramatan National Bank, Bronxville, N. Y.
- Smythe, William, Brooklyn, N. Y.
- Spaid, W. W., W. B. Hibbs & Company, Washington, D. C.
- Spaid, Mrs. W. W., Washington, D. C.
- Spangler, J. W., vice-president Seattle National Bank, Seattle, Wash.
- Strong, Benj., Jr., governor Federal Reserve Bank, New York City.
- Taylor, Orla B., vice-president Wayne County and Home Savings Bank, Detroit, Mich.
- Titus, A. H., assistant cashier National City Bank, New York City.
- Utendorfer, J. D., assistant cashier City National Bank, Omaha, Neb.
- Van Deusen, Walter M., cashier National Newark Banking Company, Newark, N. J.
- Williams, D. M., First National Bank, Utica, N. Y.; secretary Utica Chapter A. I. B.
- Wolfe, E. S., cashier District National Bank, Washington, D. C.; secretary District of Columbia Bankers Association.
- Wolfe, Mrs. E. S., Washington, D. C.

OFFICIAL BADGES

A few of the official badges are left over from the Seattle convention. They will be sent to members on written request to the General Secretary, until the supply is exhausted. Applications for the badges will be honored in the order in which they are received.

JOURNALS OUT OF PRINT

The August, 1908; October, 1910; October, 1911, and January, 1912, issues of the JOURNAL-BULLETIN are out of print. Members having copies of these issues which they do not care to preserve should send same to us. Twenty-five cents per copy will be paid.

Attorney General Limits Powers of the Federal Reserve Board

In Opinion, Submitted to President Wilson, He Holds That the Board Cannot Use Implied Power to Abolish Banks or Districts—Congress Could Have Granted Such Power Specifically if That Had Been the Intent.

IN a lengthy opinion submitted to the President at the instance of Governor Hamlin of the Federal Reserve Board and Secretary McAdoo, Attorney General Gregory defines the powers of the Federal Reserve Board with respect to the abolition of reserve banks or districts. The question arose over the desire of Baltimore bankers to have the Richmond bank transferred to their city. The Attorney General holds that there is no express provision in the statute giving the board power to abolish banks or districts as laid out by the Organization Committee, and therefore, in the light of precedent, his opinion is that the mere fact of such power being implied in the act is not sufficient to give it legal effect. His opinion in full is as follows:

Department of Justice,
Washington, Nov. 22, 1915.

Sir: I have your letter transmitting a request from the Governor of the Federal Reserve Board for my opinion as to the power of the board to abolish any of the existing Federal reserve districts or Federal reserve banks. The Secretary of the Treasury, who is ex-officio chairman of the board, united with the Governor in making this request; and you ask that I comply with it.

The act creating the Federal reserve system (38 Stat. 251, ch. 6) provided for an Organization Committee to be composed of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency. (Sec. 2.)

The act also established a permanent body known as the Federal Reserve Board. (Sec. 10.)

A reading of the act shows at once that the Organization Committee was created not merely for the purpose of attending to the formalities of organization or to serve as a stop-gap until the Federal Reserve Board should come into existence, but that it had an independent function to perform, and to that end was invested with wide powers. That is to say, its function was to organize the system as contradistinguished from the function of the Federal Reserve Board, which was primarily to administer the system.

This being the general scheme, the act provided that the Organization Committee, as soon as practicable, * * * shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal reserve cities. (Sec. 2.)

It provided further that these districts * * * shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any state or states and shall be known as Federal reserve districts and may be designated by number. (Sec. 2.)

In order that it might have the information and advice essential to the discharge of this duty, the Organization Committee was authorized * * * to employ

counsel and expert aid, to take testimony, to send for persons and papers, to administer oaths, and to make such investigation as may be deemed necessary by the said committee in determining the reserve districts and in designating the cities within such districts where such Federal reserve banks shall be severally located. (Sec. 2.) Upon the establishment of the Federal reserve districts by the Organization Committee certificate must be filed with the Comptroller of the Currency showing the geographical limits of such districts and the Federal reserve city designated in each of such districts. (Sec. 4.)

Having thus authorized the Organization Committee to designate Federal reserve cities, and to create around each a Federal reserve district, the act directed that * * * the said committee shall supervise the organization in each of the cities designated of a Federal reserve bank. (Sec. 2.)

How Reserve Banks are Constituted

The act then prescribes how these banks shall be constituted: Every national bank is required to subscribe to the capital stock of the Federal reserve bank of its district in a sum equal to six per cent. of its paid-up capital stock and surplus, one-sixth payable on the call of the Organization Committee, or of the Federal Reserve Board, one-sixth within three months, and one-sixth within six months, the remainder subject to call by the Federal Reserve Board when deemed necessary. (Sec. 2.) State banks, declared eligible by the Organization Committee, while of course not required to subscribe, were authorized to do so. (Secs. 2, 4.)

If the subscriptions by banks to the stock of any Federal reserve bank in the judgment of the Organization Committee do not provide an adequate capital, the Organization Committee may offer the stock of such Federal reserve bank to public subscription; and if the total subscriptions by banks and the public fall short of supplying an adequate capital, the Organization Committee shall allot to the United States such an amount of the stock of the Federal reserve bank in question as the committee shall determine. Stock not held by banks has no voting power. (Sec. 2.)

No Federal reserve bank is permitted to commence business with a subscribed capital of less than \$4,000,000, (Sec. 2), nor until authorized so to be by the Comptroller of the Currency. (Sec. 4.)

When the minimum amount of capital stock required for the organization of any Federal reserve bank shall have been subscribed, the Organization Committee is directed to designate any five of the subscribing banks to complete the organization and to execute and file with the Comptroller of the Currency a certificate of organization, stating the name of such Federal reserve bank, the city and state in which it is located, the territorial extent of the district in which its operations are to be carried on, the amount of its capital stock and the number of shares into which the same is divided, the name and place of business of each bank executing the certificate of organization and of each subscribing bank, and the number of shares subscribed by each, etc. (Sec. 4.)

Upon the filing of this certificate such Federal reserve bank becomes a body corporate, with the powers which are enumerated, amongst them the power * * * to have succession for a period of twenty years from its organization unless it is sooner dissolved by an act

of Congress or unless its franchise becomes forfeited for some violation of law. (Sec. 4.)

Acting under the authority of these provisions, the Organization Committee divided the country into twelve Federal reserve districts and designated in each a Federal reserve city. Boston was designated as the Federal reserve city for District 1, New York for District 2, Philadelphia for District 3, Cleveland for District 4, Richmond for District 5, Atlanta for District 6, Chicago for District 7, St. Louis for District 8, Minneapolis for District 9, Kansas City for District 10, Dallas for District 11, San Francisco for District 12. A certificate to that effect was filed on April 2, 1914, in the office of the Comptroller of the Currency.

History of the Organization

A Federal reserve bank was duly organized at each of these cities. On May 18-20, 1914, all filed their certificates of organization and thereby became bodies corporate, with the rights and powers enumerated in Section 4 of the act. Their organization was officially announced by the Secretary of the Treasury, pursuant to the second paragraph of Section 19 of the act, and on November 14, 1914, pursuant to Section 4 of the act, they were authorized by the Comptroller of the Currency to commence business.

They have been engaged in business for a little over a year. Their statement for the week ending November 12, 1915, shows their capital, deposits, and total resources as follows:

FEDERAL RESERVE

BANK OF	CAPITAL	DEPOSITS	RESOURCES
Boston	\$5,171,000	\$22,218,000	\$28,615,000
New York.....	11,059,000	181,710,000	196,544,000
Philadelphia ...	5,273,000	19,933,000	25,206,000
Cleveland	5,945,000	18,556,000	24,501,000
Richmond	3,352,000	*13,160,000	21,669,000
Atlanta	2,417,000	*11,268,000	16,629,000
Chicago	6,635,000	49,993,000	56,628,000
St. Louis.....	2,778,000	11,204,000	13,982,000
Minneapolis ...	2,495,000	10,425,000	12,920,000
Kansas City ...	3,027,000	9,826,000	14,080,000
Dallas	2,753,000	*11,992,000	18,671,000
San Francisco..	3,941,000	14,032,000	17,973,000
Total	\$54,846,000	\$374,317,000	\$446,192,000

*Includes Government deposit of \$5,000,000.

All of them have issued Federal reserve notes of which at present time \$100,000,000 in round figures are outstanding. One has purchased a site for its bank building and the others have leased quarters for long terms.

Power of the Board

The question is, Has the Federal Reserve Board the power to abolish any of the existing Federal reserve districts established by the Organization Committee as hereinabove described?

As there can be only one Federal reserve bank in a district, a district cannot be abolished without abolishing a bank. Therefore, inseparably linked with the question first stated is the further question, Has the Federal Reserve Board the power to abolish a Federal reserve bank?

And since, concededly, the power to abolish a Federal reserve district or a Federal reserve bank is not granted in express terms, the question finally becomes, is it to be implied from other provisions of the act that Congress intended to confer that power?

The counsel of the board held not, in an opinion dated March 1, 1915. Subsequently, Mr. Joseph H. Cotton, of New York, was consulted and he reached the opposite conclusion in an opinion dated November 19, 1915.

The Federal reserve banks are not banks in the ordinary sense. They are banks composed of banks. They touch the business life of the nation in its most sensitive spot. Of all the processes of business, theirs is perhaps the most delicate.

In determining whether Congress intended by implication to confer upon the Federal Reserve Board power to abolish one or more of these institutions, it is proper to consider that if the power exists at all it may be exercised not only now but at any time in the future. Certainly it was the expectation of Congress that the Federal reserve banks would extend their roots deep; that upon them, as a foundation, permanent banking arrangements better than any we have ever known would be constructed, and that they would become interwoven with the business fabric of the country.

If these expectations shall be realized, and in this discussion we must assume that they will be, the abolition of one or more of the Federal reserve districts, and consequently of one or more of the Federal reserve banks, whether for better or for worse, would profoundly affect the currents of trade and alter the whole face of business throughout vast sections of the country, to say nothing of the effect upon the investments of member banks and perhaps of the public, in the capital stocks of reserve banks.

It must be acknowledged that the power to do such a thing is, to borrow a phrase of the Supreme Court, "a power of supreme delicacy and importance," and I am of the opinion that the failure to confer such a power in express terms would be regarded by the courts as virtually conclusive that Congress did not intend it to be exercised except by itself.

Interstate Commerce Decision

A leading case in point is Interstate Commerce Commission v. Railway Company, 167 U. S. 479. There the question was whether the Interstate Commerce Commission, when it found a particular rate to be unreasonable, was given the power by the act to regulate commerce as originally enacted, to prescribe what should be a reasonable rate for the future. As in the present instance, the power in question was not expressly given, but the commission claimed that it had the power by necessary implication.

Briefly stated, its contention was that it was expressly charged with the enforcement and execution of the provisions of the act; that among other provisions was Section 1, which required all charges to be reasonable and just and prohibited every unjust and unreasonable charge; that in the nature of things it could not enforce this mandate of the law without a determination of what are reasonable and just charges, and finally, since no other tribunal was created to make that determination, it must be implied that the commission was authorized to do so. (167 U. S. 500, 501.)

The court, overruling this contention, held that, as the act did not expressly grant the power, the commission did not possess it. Speaking through Mr. Justice Brewer, the court said:

"The question debated is whether it (Congress) vested in the commission the power and the duty to fix rates; and the fact that this is a debatable question and has been most strenuously and earnestly debated, is very persuasive that it did not. The grant of such a power is never to be implied." (494.)

Again, it refers to "the inference which irresistibly follows from the omission to grant in express terms to the commission this power of fixing rates." (506.) And again, the vice of this argument is that it is building up indirectly and by implication a power which is not in terms granted. (509.) Still again: "And if it (Congress) had intended to grant the power to establish rates it would have said so in unmistakable terms." (509.)

While this seems to me decisive of the matter, I will

nevertheless examine the provisions of the act which is put forward as a ground for implying that Congress intended to confer upon the Federal Reserve Board the power in question. That provision, which is found in Section 2 immediately following the grant of power to the Organization Committee to designate Federal reserve cities and to establish Federal reserve districts, reads as follows:

"The determination of said Organization Committee shall not be subject to review except by the Federal Reserve Board when organized; provided, that the districts shall be apportioned with due regard to the convenience and customary course of business, and shall not necessarily be coterminous with any state or states. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board not to exceed twelve in all."

The merely negative statement that the determination of the Organization Committee "shall not be subject to review except by the Federal Reserve Board when organized," clearly cannot be enlarged into an affirmative grant of power to the board to review and set aside everything done by the Organization Committee.

The Intent of Congress

The reasonable view is that by that language Congress meant that the determination of the Organization Committee should not be subject to review at all, except in so far as the subsequent provisions specifically authorize a review by the Federal Reserve Board. The only subsequent provision authorizing a review of the determination of the Organization Committee of the Federal Reserve Board is contained in the sentence:

"The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all."

But the power to readjust districts does not necessarily carry with it the power to abolish districts and banks. On the contrary, it would be departing from the usual meaning of the language to give it that effect. In the affairs of business especially, the word "readjust" is associated with the idea of preservation rather than of destruction. When it is used in connection with any business or political entity, we instinctively think not of the destruction of that entity, but of its preservation in some other form. When it is used in connection with a geographical area, such as a district, we instinctively think of changes in boundary lines—not of the blotting out of everything. To illustrate, suppose the constitution had provided that Congress should have power to readjust the states taken into the Union. Would it be contended that this included power to abolish states? I cannot think so. Likewise here, in my opinion, the power to readjust districts refers to change in boundary lines.

The conception of the power is exemplified in the changes heretofore made by the Federal Reserve Board in the boundaries of the districts as fixed by the Organization Committee. To cite one instance, northern New Jersey was detached from the district of which Philadelphia is the center and annexed to the district of which New York is the center. But if what was meant by readjustment of districts were obscure instead of reasonably clear, there would still be no ground for implying the power to abolish districts, and consequently to abolish banks, from a power to readjust districts and to add new districts.

A power not expressly conferred can arise as an incident to the exercise of some other power only because essential to the exercise of that power, or because included therein as a lesser power of like nature or effect. (The Floyd acceptance, 7 Wall., 666, 680; Branch v. Jessup, 106 U. S., 468, 478.)

No one would say that the power to abolish is a lesser power than the power to readjust. It only re-

mains then, to inquire whether the power to abolish districts and banks is essential to the exercise of the power to readjust districts. In other words, would the power to readjust districts, which is expressly conferred upon the board, be nullified or rendered impotent if the power to abolish districts and banks is withheld?

I have not heard that contention made, and do not see how it could be made. Obviously, the power conferred can fall short of the power of abolition and still have a wide and useful field of operation. From time to time much may be done to promote the convenience and efficiency of the system by readjusting the boundaries of districts, adding here and taking away there, without abolishing districts and without abolishing banks.

Lack of Implied Power

The only grounds upon which a power may be implied are thus lacking here. Rather, the specification of the power to readjust districts and of the power to increase the number of districts carries with it the implication that Congress did not intend to grant the greater power to abolish districts. As the Supreme Court has said in similar circumstances: "If Congress had decided to grant such authority it would have been easy to say so in express terms." (Tillson v. United States, 100 U. S. 43-46.)

Again, it does not seem reasonable to suppose that Congress would have authorized the Organization Committee to establish these very elaborate banking units if another body to be organized only a few months later was to have the power not only to make readjustments among them, but to abolish altogether a substantial number of them.

Finally, the power of readjusting districts and of creating new districts conferred by this provision upon the Federal Reserve Board is subject to two limitations only: (1) There must be "due regard to the convenience and customary course of business," and (2) the number of districts cannot exceed twelve. (Sec. 2.)

If, therefore, the power to readjust districts includes the power to abolish districts, I see nothing to prevent the board from abolishing districts and banks until the number is reduced not only to eight, but to six, four, or even one, if the judgment of the board, with due regard to the convenience and "customary course of business," dictates that policy. Assuredly, Congress intended no such result.

But not only does this provision afford no sufficient basis for implying that Congress intended to grant the power in question—there is another provision in the act which shows affirmatively, I think, that it did not intend to grant that power.

Section 4 provides that "upon the fling of such certificate with the Comptroller of the Currency as aforesaid, the said Federal Reserve Bank shall become a body corporate and as such, and in the name designated in such organization certificate, shall have power * * * to have succession for a period of twenty years from its organization, unless it is sooner dissolved by an act of Congress, or unless its franchise becomes forfeited by some violation of the law."

Here is an assurance by Congress that a Federal reserve bank, organized under the provisions of this act, shall have the right to exist for a period of twenty years, except in two specific contingencies, *i. e.*, unless it shall forfeit the right by a violation of law, or unless Congress itself shall shorten the period.

The Federal reserve banks were organized, their capital subscribed, and large obligations undertaken by them on the faith of that express assurance and in the expectation of enjoying that right.

Manifestly, to imply a power in the Federal Reserve Board to abolish Federal reserve banks at will would directly conflict with the rights and powers expressly conferred upon these banks by this section. A power

thus expressly conferred cannot be destroyed or seriously impaired by implying a conflicting power—at least not unless the grounds for the implication are irresistible, which as we have seen, is not the case here. (*Texas & Pacific Ry. Co. v. Abilene Cotton Oil Co.*, 204 U. S. 426, 440, 441, 446; *Wilder Mfg. Co. v. Corn Products Co.*, 236 U. S. 165, 174, 175.)

Finally, it remains to be observed that the reports of the committees which considered this act and the debates attending its passage, while discussing fully many different powers conferred or proposed to be conferred upon the Federal Reserve Board, contain no mention of the power here in question. This is very significant. It shows, I think, an entire absence on the part of Congress of any thought of conferring such a power. For, considering the far-reaching consequence of the power, it is not easy to believe that if the granting of it had been under consideration at all, the fact would not have been mentioned by some one in the course of the thorough and exhaustive discussion which the subject underwent in Congress.

I sum up my conclusion as follows:

First—Concededly the power to abolish Federal reserve districts and Federal reserve banks is not conferred upon the Federal Reserve Board in express terms.

Second—It is a rule of statutory construction that the failure to grant in express terms a power of such great consequence raises a convincing presumption that Congress did not intend to grant it.

Third—Putting out of view that presumption, there is no provision in the act from which an intention to confer this power can fairly be implied, but on the contrary there is a provision which shows affirmatively that Congress did not intend to confer it.

Fourth—The absence of any mention of such a power in the reports of committees and the debates dealing with the legislation shows that the thought of conferring it was not in the mind of Congress. I am of the opinion, therefore, that the board does not possess the power in question.

T. W. GREGORY,
Attorney General.

IN APPRECIATION OF PROTECTIVE WORK

That the members of the American Bankers Association, as a class, are well pleased with the character of service rendered by the Protective Department with the assistance of the William J. Burns International Detective Agency, is shown by the large number of letters of commendation, unsolicited, which are constantly being received by the Department or its detective agents. To judge from a large number of instances, it seems to be the practice of many banks, when a case has been taken up and pushed to a rapid and successful conclusion, to express their appreciation in writing. For example, here is a letter written by the cashier of a Kansas bank in regard to a forgery that was not discovered until three months after it had been committed:

This will be to advise you that in August, 1915, one certain Arthur McCalister did a very clever job of forging the signature of Mr. ———, one of the valued patrons of this bank, to a check on us in the amount of \$100.00. Said McCalister then cashed the check himself and left town immediately.

It happened at a season of the year when there were perhaps 2,500 strangers in this immediate vicinity helping with the wheat harvest, and these parties came from every section of the United States. We therefore had very little hope of ever locating the guilty party or recovering the funds at the time the forgery was discovered, some three months later. However, we reported the matter to the William J. Burns International Detective Agency at Kansas City, and on Friday, November 12th, their representative, Mr. E——, came on the job. On the following Monday at noon, just three days later, he phoned me that he had McCalister arrested and placed in jail at Ashland, Kan., and the next day at noon he phoned me again that he had a signed confession from McCalister, also had the money which McCalister had obtained through said forgery. This was just four days from the date Mr. E—— first came on the job, and there

was nothing whatever to give him a clue as to who did the work except a bunch of Mr. ———'s canceled checks, one of which McCalister had indorsed and cashed in the regular way.

We consider this a very quick and commendable piece of work on the part of Mr. E——, and wish to express our full appreciation of the way the matter was handled.

Here is an extract from another letter: "I want to thank you for the services rendered us through your valuable department. We have done all in our power to bring the proper parties to justice; of course, not having a court that will administer justice in this county, it has become the home of the crook and the outlaw. * * * I will certainly be glad to use my influence in securing new members to the Association and explain to them just exactly what the membership means."

In another case, where a difficult forgery case had been solved in two days, the bank wrote: "It was inconceivable that this could be done and we feel that an acknowledgment is due your office."

Sometimes a Burns man accomplishes in a short time a task of which local police officials have proved themselves incapable, and then the agents receive a letter like this: "Our officers here are of no avail. They seem to be unable to accomplish anything and don't seem to be able to do anything. Your actions in this were prompt and I congratulate you on your promptness of service."

Another bank writes to a Burns office, concerning the successful outcome of a case: "We appreciate very much the interest shown on your part and wish to compliment you for apprehending our man in such a short time with the information you had to work on."



LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

POWER OF FEDERAL RESERVE BOARD TO ABOLISH A DISTRICT AND BANK

The Attorney General has recently rendered an opinion to the President of the United States as to the power of the Federal Reserve Board "to abolish any existing Federal reserve districts or Federal reserve banks" in which he reaches the conclusion that "the board does not possess the power in question." As the Attorney General construes the act, the power of the board is limited to readjusting the boundaries of districts, adding here and taking away there, but without the power of abolishing districts or of abolishing banks. A copy of this opinion is published elsewhere in the JOURNAL-BULLETIN.

Section 2 of the act relating to the Federal reserve districts provides:

"Sec. 2. As soon as practicable, the Secretary of the Treasury, the Secretary of Agriculture and the Comptroller of the Currency, acting as 'The Reserve Bank Organization Committee,' shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal reserve cities. The determination of said organization committee shall not be subject to review except by the Federal Reserve Board when organized: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any state or states. The districts thus created may be readjusted and new districts may, from time to time, be created by the Federal Reserve Board, not to exceed twelve in all. Such districts shall be known as Federal reserve districts and may be designated by number * * *"

To our mind, the above provision clearly grants to the Federal Reserve Board the power which the Attorney General denies, at all events, to the extent of reducing the number of districts and of reserve cities from twelve to eight, as well as of readjusting boundaries of existing districts. Congress in passing the act discarded the principle of one central reserve bank in favor of a number of Federal reserve district banks scattered throughout the country, but being uncertain as to the exact number which would best suit business needs as well as to the exact location of reserve banks and districts and realizing these questions could best be determined in the light of subsequent experience, vested the power of creating districts and banks primarily in the Organization Committee, subject only to the limitation that not less than eight nor more than twelve should be created. But it granted the ultimate power to the Federal Reserve Board, when organized, to review and change the work of the Organization Com-

mittee in such initial creation, with the further grant of power to the board, after the districts were thus created, of readjusting such districts and creating new districts from time to time not exceeding the maximum number. The initial creation was made the function of the Organization Committee because at such time the Federal Reserve Board was not organized, but the ultimate power of review and change of the number and location of the districts and banks is clearly vested in the Federal Reserve Board. With regard to the initial work of the Organization Committee, the act provides that "The determination of such Organization Committee shall not be subject to review except by the Federal Reserve Board, when organized." Language could hardly be plainer to indicate the intent of Congress that when the Federal Reserve Board came into existence it should have power to review the determination of the Organization Committee in the designation of not less than eight nor more than twelve cities and the dividing of the country into districts. The power to review the determination must necessarily mean the power to change such determination of the number and location of districts; to reduce the number from twelve to eight if the board sees fit, as well as to change the boundaries of the districts; in other words, to abolish certain of the districts and banks, as well as to change the location or boundaries of districts, so long as the number of existing districts is not less than eight.

The Attorney General asserts and concludes that "concededly, the power to abolish Federal reserve districts and Federal reserve banks is not conferred upon the Federal Reserve Board in express terms"; that "the failure to grant in express terms a power of such great consequence raises the convincing presumption that Congress did not intend to grant it"; that "putting out of view that presumption, there is no provision in the act from which an intention to confer this power can fairly be implied, but on the contrary, there is a provision which shows affirmatively that Congress did not confer it"; and that "the absence of any mention of such a power in the reports of committees and the debates dealing with the legislation shows that the thought of conferring it was not in the mind of Congress."

To the contrary of the first assertion, it seems to us the power to abolish a Federal reserve district and bank originally created by the Organization Committee, so long as the total number is not less than eight, is expressly conferred upon the Federal Reserve Board

in the granted power of review. Of course, the act does not say in express terms that "the Federal Reserve Board shall have power to abolish a Federal reserve district and a Federal reserve bank" if this is what is meant by the assertion that the power to abolish is not conferred upon the board in express terms; but after conferring upon the Organization Committee the power to designate not less than eight nor more than twelve districts and divide the country into districts, the act expressly provides that "the determination of such Organization Committee shall not be subject to review, except by the Federal Reserve Board, when organized." Surely an express grant of power can be conferred in negative as well as positive form and the language of Section 2 is an express grant of power to review and change the determination of the Organization Committee as to the number of districts. What else can the language mean? Certainly Congress intended to give the words "except by the Federal Reserve Board when organized" a meaning and effect and it is difficult to understand what other meaning they can have than that the Federal Reserve Board shall have power to change the number within the prescribed limits, as well as the location of the districts as originally created by the Organization Committee.

The Attorney General thus explains the meaning:

The merely negative statement that the determination of the Organization Committee "shall not be subject to review except by the Federal Reserve Board when organized" clearly cannot be enlarged into an affirmative grant of power to the Board to review and set aside everything done by the Organization Committee. The reasonable view is that by that language Congress meant that the determination of the Organization Committee shall not be subject to review at all, except in so far as the subsequent provisions specifically authorize a review by the Federal Reserve Board. The only subsequent provision authorizing a review of the determination of the Organization Committee by the Federal Reserve Board is contained in the sentence: "the districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all." But the power to readjust districts does not necessarily carry with it the power to abolish districts and banks * * *

This interpretation and limitation of the meaning of the provision that the determination of the Organization Committee "shall not be subject to review except by the Federal Reserve Board, when organized" does not convince us that a court of justice would be likely to take the same view if called upon to interpret this provision of the Act. Analyze the provisions of Section 2 and it will be seen they provide for two distinct situations:

(1) Original creation of districts and banks by the Organization Committee subject to review by the Federal Reserve Board.

(2) Subsequent readjustment by the Federal Reserve Board of districts originally created and the creation by such Board of new districts from time to time, not to exceed twelve in all.

The function of the Organization Committee, it is seen, is limited to the original creation and is necessarily

preliminary and not final; the function of the Federal Reserve Board is two-fold: (1) review of the determination of the Organization Committee in the original creation; (2) subsequent readjustment of districts thus created and the creation of new districts from time to time. After the Organization Committee has once determined the districts and designated the cities, its function in that respect is at an end, and it is given no power of readjustment; but the Federal Reserve Board is given the power of review and the further power, after the districts have been originally created by the Committee and reviewed and changed by the Board, of readjusting such original creation of districts and of creating new districts from time to time not exceeding twelve.

It cannot be, as the Attorney General says, that the provision that the determination of the Organization Committee "shall not be subject to review except by the Federal Reserve Board" is not a grant of power to review and set aside what has been done by the Organization Committee, but merely has relation to the subsequent provision that "the districts thus created may be readjusted" by the Federal Reserve Board, for if the words "except by the Federal Reserve Board" were omitted from the act, the board would still have the same power to readjust the created districts, by virtue of the subsequent provision expressly giving that power. These words certainly have a meaning and application of their own, and they clearly relate, it seems to us, to the original creation of districts by the Organization Committee and indicate the intent of Congress that such original creation of districts may be reviewed and changed by the Federal Reserve Board.

Furthermore, how can the provision for the subsequent readjustment, by the Federal Reserve Board, of districts originally created and the creation of new districts from time to time, be squared with the Attorney General's interpretation of the act that the Federal Reserve Board has no power to abolish districts or banks, but that the power is limited to the readjusting of boundaries of districts? This further provision reads:

"The districts thus created may be readjusted and new districts from time to time be created by the Federal Reserve Board not to exceed twelve in all."

Does this not mean that the districts having been originally created by the Organization Committee subject to review and change by the Federal Reserve Board, the latter may thereafter, from time to time as business necessity dictates, readjust such originally created districts or abolish them entirely and create new ones, within the prescribed limitation as to number? How can a new district be created unless an existing district has been abolished, assuming at the time of creation that the system has the maximum number? The adding to a district here or taking away from it there, thus merely changing the boundary, would not seem to be the creation of a new district as contemplated by the act. This operation would be covered by the power of readjustment, which is the extent of power conceded by

the Attorney General; but in addition, the Federal Reserve Board is expressly given the power of creating new districts from time to time, not to exceed twelve in all. The act contemplates that twelve districts may be originally created, as was in fact done, and then provides that not only may the districts thus created be readjusted, but new districts may from time to time be created by the Federal Reserve Board, not exceeding twelve in all. Clearly, under this provision alone, the Federal Reserve Board is expressly given power to abolish a district and create a new one, within the prescribed limitations as to number.

A reasonable interpretation of the provisions of Section 2 which we have been considering would seem to be that Congress intended that the Organization Committee should primarily create not less than eight nor more than twelve districts, giving the ultimate power of review of such creation to the Federal Reserve Board when organized, and to further empower the board, after the districts had thus been created by the Organization Committee, subject to review and change by the board, to thereafter readjust such districts and afterwards, from time to time, create new districts not to exceed twelve in all. Not only does this interpretation seem warranted by the provisions of Section 2, but it is fortified by the logic of the situation. Congress itself did not fix the exact number of districts as between eight and twelve but left that to the discretion of those charged with the duty of organizing and supervising the system, realizing that subsequent experience would be the best guide. The discretionary problems thus left were not only the determining of the exact number of districts, but readjustment of the same after once being determined and the creation of new districts from time to time, as experience should show the desirability of such changes. To the Organization Committee, subject to review by the Federal Reserve Board, was left the original determination of the exact number of districts while the subsequent readjustment of the originally created districts and the creation of new districts was left solely to the Federal Reserve Board. To say that the most important problem of all, the fixing of the exact number of districts, was intended to be left solely to the ephemeral Organization Committee without power of change, while the lesser function of merely adding to or subtracting from the existing districts was all that was intended to be conferred upon the permanent Federal Reserve Board, seems utterly unreasonable, and is not borne out by the provisions of the act. It is evident that in the establishment of this new system of banks, Congress realized that time and experience would be required to exactly fix and adjust the number and location of districts and banks to business needs and necessities and therefore made provision placing this ultimate power in the Federal Reserve Board, subject only to the broad limitation that the number of districts must be not less than eight nor more than twelve. Congress itself did not essay to determine whether eight or twelve was the best number, but contemplated that

such determination, while originally made by the temporary Organization Committee, should be ultimately made by the Federal Reserve Board which, being permanent in character, would be best fitted to determine same. To say that the Organization Committee was given the sole power during the few months of its existence to unalterably fix the exact number of districts, which Congress itself refrained from doing, foreclosing any power in this regard in the Federal Reserve Board, in every way better equipped to determine the matter, seems repugnant to the plain meaning and intent of Congress as expressed in Section 2.

The opinion of the Attorney General is mainly based on the proposition that the power to abolish districts and banks is not conferred upon the Federal Reserve Board in express terms; but it seems to us, by a reasonable interpretation of the provisions of Section 2, such power is expressly conferred and if so there is no necessity for searching the act to find an implied power.

The only possible doubt arises by reason of Section 4 which provides that a Federal reserve bank shall have power "to have succession for a period of twenty years from its organization unless it is sooner dissolved by an act of Congress, or unless its franchise becomes forfeited by some violation of law." This, according to the Attorney General, is a positive grant of life for twenty years subject only to the two conditions or contingencies of (1) dissolution by act of Congress or (2) forfeiture of franchise by violation and unless these contingencies arise, it is argued the bank cannot be abolished, which would result if a district was abolished. But it seems to us, in view of the plain provisions of Section 2 giving the Federal Reserve Board power to review the determination of the Organization Committee as to the number of districts, as well as to create new districts, that a court would read into Section 4 as a further implied condition, the right of abolishment by the Federal Reserve Board given in Section 2. This provision must be interpreted according to the intention of Congress and the intention to give the Board power to change the number of districts and consequently abolish the bank in any abolished district, is so clearly expressed in Section 2 that, it seems to us, Section 4 must be read in the light of such intent and modified accordingly.

The Attorney General as a final conclusion why the power to abolish a Federal reserve district and bank was not conferred upon the Federal Reserve Board, states that "the absence of any mention of such a power in the reports of committees and the debates dealing with the legislation shows that the thought of conferring it was not in the mind of Congress." But by reference to the Federal Reserve Act as it passed the House on September 18, 1913 (H. R. 7837), and went to the Senate, the provisions of Section 2 pertinent to this discussion then read:

"Sec. 2. That within ninety days after the passage of this Act, or as soon thereafter as practicable, the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, acting as 'The Reserve Bank Organ-

ization Committee,' shall designate from among the reserve and central reserve cities now authorized by law a number of such cities to be known as Federal reserve cities, and shall divide the continental United States into districts, each district to contain one of such Federal reserve cities: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business of the community and shall not necessarily coincide with the area of such state or states as may be wholly or in part included in any given district. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board hereinafter established, acting upon a joint application made by not less than ten member banks desiring to be organized into a new district. The districts thus constituted shall be known as Federal reserve districts and shall be designated by number according to the pleasure of the Organization Committee, and no Federal reserve district shall be abolished, nor the location of a Federal reserve bank changed, except upon the application of three-fourths of the member banks of such district. * * * The total number of reserve cities designated by the Organization Committee shall be not less than twelve * * *

As this bill passed the House of Representatives, therefore, it provided that the Organization Committee should designate not less than twelve cities and districts and it conferred upon the Federal Reserve Board the two-fold power of (1) readjusting the districts thus created and (2) creating new districts from time to time. The latter power was not unlimited, but required the application of at least ten member banks desiring to be organized into a new district. The first stated power, that of readjustment, was clearly designed to include the power to abolish a district, for it is ex-

pressly provided that "no Federal reserve district shall be abolished, nor the location of a Federal reserve bank changed, except upon the application of three-fourths of the member banks of such district." Furthermore, the bill in Section 4 provided: "The Federal reserve bank so incorporated shall have succession for a period of twenty years from its organization, unless sooner dissolved by Act of Congress." This indicates that the House of Representatives intended such provision for a twenty-year period of life not to militate against the power of abolishment conferred, and that Section 4 was impliedly qualified by Section 2.

It is, therefore, seen that instead of the power of abolishing a district and bank not being in the mind of Congress, such power was expressly conferred in the bill, as it passed the House of Representatives, subject to the limitation that three-fourths of the district members should apply therefor. In the Act as finally passed, this limitation has been removed, as well as the limitation that at least ten members must apply to authorize the creation of a new district, and the Federal Reserve Board has the absolute power (1) to review the determination of the Organization Committee in the creation of districts and banks, which necessarily includes the power of abolishment, and (2) to readjust the originally created districts and from time to time create new districts, which likewise includes the power of abolishment.

From a review of the entire act it would seem that the Federal Reserve Board has the power denied by the Attorney General and that to hold otherwise would be to thwart the plain intent of Congress as expressed in Section 2.

OPINIONS OF THE GENERAL COUNSEL

INDORSEMENT IN BLANK FOLLOWED BY SPECIAL INDORSEMENT

Where indorsement in blank is followed by special indorsement, the instrument remained payable to bearer under the common law rule, but under the Negotiable Instruments Act question in doubt whether Section 9 (5) deprives such instrument of bearer character, or whether Sections 34, 35 and 40 apply, under which instrument would still be payable to bearer—Where instrument is on its face payable to bearer, a special indorsement does not change its character.

From Minnesota—Will you kindly advise me if a note or check payable to order and indorsed by the payee in blank, thereby making the instrument payable to bearer, can thereafter be made payable to order by the special indorsement of a subsequent indorser?

At common law the rule was that if a bill or note be once indorsed in blank, though afterward indorsed in full, it will still, as against the drawer, acceptor, maker, payee, the blank indorser and all indorsers before him, be payable to bearer, though as against the special indorser himself, title must be made through his indorsement. *Smith v. Clarke, Peake, 225; Walker v. McDonald, 2 Exch. 527;*

Habersham v. Lehman, 63 Ga. 383; Johnson v. Mitchell, 50 Tex. 212.

The Negotiable Instruments Act has substituted the following rules on the subject:

Sec. 9. "The instrument is payable to bearer * * * (5) when the only or last indorsement is an indorsement in blank."

Sec. 34. "A special indorsement specifies the person to whom, or to whose order, the instrument is to be payable; and the indorsement of such indorsee is necessary to the further negotiation of the instrument. An indorsement in blank specifies no indorsee, and an instrument so indorsed is payable to bearer, and may be negotiated by delivery."

Sec. 35. "The holder may convert a blank indorsement into a special indorsement by writing over the signature of the indorser in blank any contract consistent with the character of the indorsement."

Sec. 40. "Where an instrument, payable to bearer, is indorsed specially, it may nevertheless be further negotiated by delivery; but the person indorsing specially is liable as indorser to only such holders as make title through his indorsement."

An examination of these provisions will show that they are not entirely consistent with respect to their application to an instrument indorsed in blank followed by a special indorsement. So far as an instrument payable on its face to bearer is concerned, the rule seems to be clear that, although indorsed specially, it continues payable to bearer and may be further negotiated by delivery. But where the instrument is payable to order and indorsed in blank, followed by a special indorsement, there is, on the one hand, the provision of Section 34 that an instrument indorsed in blank "is payable to bearer and may be negotiated by delivery" and the further provision of Section 40 that "where an instrument payable to bearer is indorsed specially, it may nevertheless be further negotiated by delivery," and on the other hand, the provisions of Section 5 defining when the instrument is payable to bearer and providing in the fifth subdivision that it is payable to bearer "when the only or last indorsement is an indorsement in blank." Sections 34 and 40 would indicate that an instrument indorsed in blank followed by a special indorsement is still payable to bearer and may be further negotiated by delivery, but to the contrary, Section 9 (5) is to the effect that such an instrument is not payable to bearer, as in such case neither the only nor the last indorsement is in blank and furthermore it has been stated that the very purpose of this subdivision was to abrogate the rule of the common law that such an instrument continued payable to bearer. If we give full force to Section 9 (5) defining when the instrument is payable to bearer, then an instrument indorsed in blank and afterwards specially indorsed is not so payable; on the other hand, if we regard Section 9 (5) as modified or supplemented by the provision of Section 34 that an instrument indorsed in blank is payable to bearer and may be negotiated by delivery and of Section 40 that where an instrument payable to bearer is indorsed specially it may be further negotiated by delivery, then notwithstanding the special indorsement following an indorsement in blank, the instrument would be still payable to bearer. This latter construction might be fortified by the provision of Section 35 that the holder may convert a blank indorsement into a special indorsement by writing over the signature of the indorser in blank any contract consistent with the character of the indorsement, as this would indicate a method by which the holder of an instrument indorsed in blank might convert it from bearer to order by writing over the blank indorsement a special indorsement and that if the holder did not avail of this method, the instrument remained payable to bearer.

The only conclusion which can be reached is that while an instrument on its face payable to bearer remains payable to bearer although indorsed specially, if it is indorsed in blank followed by a special indorsement, the act raises a doubt whether it would be held no longer payable to bearer because of Section 9 (5) or will still be payable to bearer under the provisions of Sections 34, 35 and 40. Until there is judicial interpretation of the Act upon this point the question will remain somewhat doubtful, although it seems to me that, taking all

the provisions of the Act together, a court would be more likely to hold that the rule of the common law had not been abrogated and that an instrument indorsed in blank followed by a special indorsement remained a bearer instrument and that to change its character it would be necessary to write a special indorsement over rather than under the blank indorsement.

ASSIGNMENT OF SAVINGS PASS BOOK AS COLLATERAL

Delivery of pass-book with written order on savings account in national bank to secure loan constitutes an assignment and takes precedence over claim of lien on deposit by subsequently appointed receiver of bank to secure liability of depositor as stockholder.

From New Hampshire—On a certain date, say, January 1, 1915, a bank loaned to an individual \$1,000 upon collateral security of a written order and pass book connected with a savings account in another institution, a national bank. The loaning bank at once notified the national bank whose book it held as collateral, that the book and account was so held, and received the acknowledgment of the cashier of the national bank, the acknowledgment saying: "Acknowledging yours of the 17th inst., and in accordance with same, have made notation on our books showing that savings account of John Doe has been assigned to you as collateral. We will protect this assignment until advised further." Some time afterward the national bank issuing the savings department book failed. The depositor in the bank was also a stockholder, and an assessment will presumably be levied against the stockholders. The receiver of the failed bank takes the position that he is not bound to recognize the order given by his depositor and acknowledged by the cashier of the bank before its failure, and that he proposes to hold the account as security for the proposed assessment against the stockholder. The loaning bank takes the position that the order against the depositor's account, given by the depositor, and held by the loaning bank with the knowledge and virtual acceptance of the failed bank, is prior to any other claim, including that of the receiver. What is your opinion upon this situation?

The rule is well recognized that a pass-book issued by a savings bank may be assigned, *Taft v. Bowker*, 132 Mass. 277, [holding that a delivery of the book as collateral security, although unaccompanied by a written assignment, transfers an equitable title, and will prevail against a subsequent trustee process]; *Gammond v. Bowery Sav. Bank*, 15 Daly [N. Y.] 483. See also *Kingman v. Perkins*, 105 Mass. 111, holding that an order by a depositor in favor of a third person for a good consideration is a valid assignment of the entire amount of the deposit and prevails over trustee process against the depositor.

It has further been held that as between the assignor and the assignee it is not necessary to the validity of an assignment that the debtor be notified thereof; *Jackson v. Hamm*, 14 Colo. 58; *Allyn v. Allyn*, 154 Mass. 570; *Marsh v. Garney*, 69 N. H. 236; *Pollard v. Pollard*, 68 N. H. 356; *Forist v. Bellows*, 59 N. H. 229. The assignment will also be complete as against creditors of the assignor garnishing the chose after assignment and before notice of the assignment to the debtor, provided that notice of the assignment be given to the debtor in time

to permit him to disclose the assignment in his answer to the garnishment process. (*Jones v. Lowery Bank Co.*, 104 Ala. 252; *Savage v. Gregg*, 150 Ill. 161; *Smith v. Clarke*, 9 Iowa 241; *Thayer v. Daniels*, 113 Mass. 129; *Ricker v. Cross*, 5 N. H. 570.)

To a valid transfer or assignment of a thing or chose in action of a kind assignable, no consent to or acceptance of the assignment by the debtor is required. (*Lassiter v. Jackman*, 88 Ind. 118; *Krapp v. Eldridge*, 33 Kan. 106; *Roger Williams Ins. Co. v. Carrington*, 43 Mich. 252; *Brown v. Mansur*, 64 N. H. 39; *Garland v. Harrington*, 51 N. H. 409; *Conway v. Cutting*, 51 N. H. 407.)

In the present case, there was both notice of the assignment to the debtor bank and acceptance of the same by it. It would seem to follow, therefore, that the right of the assignee of the pass-book to the deposit or to dividends thereon must be superior to any claim of lien on the deposit by the subsequently appointed receiver, sought to be asserted to secure the liability of the depositor as a stockholder in the failed institution.

CHECK PAYABLE TO DRAWEE PRESENTED BY THIRD PERSON

Not payable to bearer and should not be paid to holder without inquiry—Authorities on question whether payee is a holder in due course reviewed.

From Wisconsin—The following question came up recently and we would like your opinion as to whether or not we took the proper position: One of our depositors drew a check against the L— County Bank in favor of the L— County Bank. This check was presented for payment by a third party, John Smith, for convenience. In as much as the check was given to the order of the L— County Bank, we hesitated to pay John Smith, as we did not know that he had rightfully come into possession of it. To make sure that we were on safe ground, we called up the maker of the check. He authorized us to pay, saying in explanation, that the party was not known at the bank, so he made the check payable directly to the bank, thinking that would be all right. The party cashing the check, John Smith, took the position that this check should be paid to anybody on presentation without question, it being, in effect, payable to bearer. We took issue with him on that point, contending that there was a difference and that it was up to the bank, for the protection of its customer, to satisfy itself that he was entitled to the money. Your opinion on this point will be much appreciated.

This is a case of a check in which the drawer orders the bank to pay to itself and delivers the check to a third person who presents it to the bank. The holder claims that the check is in effect payable to bearer and that the bank should pay to him without inquiry; the bank, on the other hand, contends that it is put on inquiry from the form of the check and that it can rightfully refuse to pay until it makes inquiry from the drawer and receives his authorization.

Before discussing the precise question, it will be pertinent to consider another question which has a bearing thereon, namely, if a check or note is made payable by A to order of B and is negotiated by a holder to B for value, is the payee a holder in due course.

The question whether the payee, who takes a bill of note without inquiry and for value from one other than the drawer or maker, is a bona fide purchaser or holder in due course who can enforce free from equities, while affirmatively decided in some jurisdictions has not been so clearly or positively settled as to be free from doubt; this being so, in a case such as the present where the payee is also drawee and the check is presented to the drawee for payment, rather than to the payee by way of negotiation, it would seem that the safest course for the bank is to deny the right of the holder to payment without first making inquiry.

Briefly reviewing the cases, an important decision affirming the proposition that the payee is a holder in due course in the situation presented, is by the Supreme Court of Massachusetts in *Boston Steel & Iron Co. v. Steurer*, 66 N. E. (Mass.) 646. A check payable to the Steel Company was handed by the drawer, Mrs. Steurer, to her husband to be delivered by him to the payee in payment of a debt to become due from her to the payee. The husband fraudulently handed the check to the payee in payment of a debt due by him to the payee and it was accepted in good faith. The Steel company having sued Mrs. Steurer for the balance due, the court held she could not claim credit for the amount of the check as the Steel company received it, as a holder in due course, for the debt of her husband. This decision was under the Negotiable Instruments Act of Massachusetts and the court holds that the same rule would apply under the decisions before the Act. As the court cites supporting authorities, I will quote at length from its opinion:

"The fact that the plaintiff is the payee of a negotiable security does not prevent him from becoming a bona fide purchaser of it, with all the rights incident to a purchaser for value thereof, without notice. That was decided in *Watson v. Russell* (3 B. & S. 34), and affirmed in the exchequer chamber in the same case (5 B. & S. 968). To the same effect is *Poirier v. Morris*, 2 E. & B. 89, and *Nelson v. Cowing*, 6 Hill, 336, 339. *Munroe v. Bordier*, 8 C. B. 862, and *Armstrong v. American Bank*, 133 U. S. 433, 453, seem to go on this ground. *Fairbanks v. Snow*, 145 Mass. 153, might have been decided on this ground, but was disposed of on common law principles.

"That payment of the pre-existing debt makes the plaintiff a purchaser for value in this commonwealth was settled law before the negotiable instruments act was enacted.

"The checks in question in the case at bar were given after the negotiable instruments act (St. 1898, c. 533; Rev. Laws, c. 73) went into effect, and are governed by its provisions.

"The plaintiff is a holder in due course of the \$200 check, within Rev. Laws, c. 73, Sec. 69. This section is taken from section 29 of the bills of exchange act of 1882, and *Watson v. Russell* is cited in *Chalmers, Bills of Exchange* (5th Ed.) 89, as an example of a person who is a holder in due course

within that section. It was stated by Lord Russell in *Lewis v. Clay*, 67 L. J. Q. B. 224, that a payee of a promissory note cannot be a holder in due course within section 29 of the English bills of exchange act of 1882. In *Hardman v. Wheeler* [1902] 1 K. B. 361, 372, it was pointed out that this statement of Lord Russell was obiter, and it was also pointed out that in that case, as in *Lewis v. Clay*, it was not necessary to pass on that point. The case of *Watson v. Russell*, 3 B. & S. 34, 5 B. & S. 968, does not seem to have been before the court in either of these cases; and in neither case does the court seem to have taken into consideration the practice of a check being procured drawn by another to be used in paying a debt due from the person procuring the check to the person to whom the debtor has had the check made payable. The practice is recognized in the case of foreign bills of exchange, and the person procuring the bill is known technically as the 'remitter' of it. See *Munroe v. Bordier*, 8 C. B., 862, where it was held that the payee of a foreign bill, who took it from the remitter of it for value, was a bona fide purchaser for value; and this rule was applied in *Watson v. Russell*, 3 B. & S. 34, in case of a check. In our opinion, a check received by the payee named in it, in payment of a debt due from the remitter of the check, is a holder in due course within section 69 of the Negotiable Instruments Act (St. 1898, c. 533; Rev. Laws, c. 73), even if we should follow the decision made in *Hardman v. Wheeler* [1902] 1 K. B. 361, and hold that a payee never can be a holder in due course to whom the bill has been 'negotiated', within the last clause of section 31 of our act (Rev. Laws, c. 73), which is taken from section 20 of the English bills of exchange act of 1882 (45 & 46 Vict., c. 61). The rule that payment of a pre-existing debt is value was adopted in Rev. Laws, c. 73, section 42."

A recent New York decision by the City Court at Trial term is to the same effect, *Brown v. Rowan*, 154 N. Y. Supp. 1098. A debtor delivered to his creditor the note of a third person payable to the creditor which the latter received and applied on account. The maker refused payment on the ground that he had delivered the note upon a condition that had not been fulfilled. The payee knew nothing of any such condition. The court held that an antecedent debt was value under the Negotiable Instruments Act, and upholding the right of the payee as a holder in due course to recover from the maker free from equities, said:

"Accordingly there can be no doubt of Brown's right to enforce payment as a holder in due course (Neg. Inst. Law, section 91), if (1) the payee of a negotiable instrument may in New York claim the prerogatives of a holder in due course; and (2) the circumstances of the plaintiff's receipt of the note on account of the Schwanners' antecedent indebtedness to him were such as to constitute him a holder 'for value', within the meaning of the Negotiable

Instruments Law as now construed in this state.

"[1] These two points of controversy present interesting questions as to the extent of New York's conformance to the interpretation which has been put upon the Negotiable Instruments Law by the courts of a great majority of the other states which have enacted the uniform statute. Excepting an inferential reference in *Schreyer v. J. S. Bailey & Co.*, 97 App. Div. 185, 89 N. Y. Supp. 870, the question whether, under that statute, the payee of a promissory note may qualify as a holder thereof in due course, upon compliance with the requirements of section 91 of the act, seems never to have been passed upon in a reported decision in this state. Outside of New York, however, the uniform interpretation of the parallel provisions of the statute has been to confirm and continue the rule of the common law that a payee might claim the protection accorded any other bona fide holder for value. *Boston Steel & Iron Co. v. Steurer*, 183 Mass. 140; *Thorpe v. White*, 188 Mass. 333, 334; *Mersick v. Alderman*, 77 Conn. 634; *South Boston Iron Co. v. Brown*, 63 Me. 139; *Campbell v. 4th National Bank*, 137 Ky. 555; *Glascocock v. Rand*, 14 Mo. 550; *American Exchange Nat. Bank v. Armstrong*, 133 U. S. 443, 453; *Hodges v. Nash*, 141 Ill. 391; *Cagle v. Lane*, 49 Ark. 465; *Crawford's Ann. Neg. Inst. Law*, section 91, note B; *Norton on Bills and Notes*, p. 416, note 3; *Daniel on Negotiable Instruments*, section 178; *1 Parsons on Bills and Notes*, pp. 181, 199. The case of *Vander Ploeg v. Van Zuuk*, 135 Iowa, 350, 112 N. W. 807, is sometimes referred to as sustaining a contrary view, but the issue therein was so complicated by the element of fraud and the perfidy of the plaintiff in filling in certain blanks in the note otherwise than as directed by the maker that I cannot regard this decision as essentially divergent from the uniform decisions in the other states under the Uniform Act.

"Learned counsel for the defendant makes a most persuasive argument for a ruling in this state that a payee be given no immunity from equities existing between the maker and his immediate transferee; but these considerations are far outweighed, in my opinion, by the importance of nation-wide uniformity in the law as to commercial paper and by the many evidences that, in enacting the uniform statute, the Legislature sought to secure uniformity in the application of the law, and not merely in its phraseology. When a question arises under one of the uniform statutes, and courts of this state have not yet passed upon the interpretation of the portions of the statute involved, I conceive it to be the duty of the trial courts, in the interests of a real uniformity in the application of these commercial enactments, to adopt and follow here the interpretation adopted by the courts of other commonwealths * * *"

According to the above authorities, both at common law and under the Negotiable Instruments Act, the

payee who acquires for value a note or check from a holder other than the maker or drawer, is not obliged to make inquiry, but is a bona fide holder, or holder in due course, and can enforce the instrument free from equities. There may be a failure of consideration to the maker or a breach of condition on which the maker delivered the instrument or a misappropriation of the instrument for a purpose other than intended by the maker, but in none of these cases is the payee put on inquiry by reason of taking the instrument from a holder other than the maker.

According to the above, it would seem that a bank might safely pay to the holder a check made payable to it by its customer, the check also being drawn on it, for if it could as payee, safely purchase such check without inquiry, equally would it seem to have the right to pay same, as drawee, without inquiry. But other authorities exist which militate somewhat against those above cited.

In a case decided by the New York Court of Appeals, *Sims v. U. S. Trust Co.*, 103 N. Y. 472, a depositor drew his check on his bank for \$5,000 payable to the order of a trust company, his intention being to transfer the deposit from one institution to the other. He entrusted the check to his confidential clerk with instruction to deposit it to his credit with the trust company. The clerk disobeyed the instruction and took from the trust company its certificate of deposit payable to the order of the clerk as trustee of the depositor. Shortly afterwards, the clerk drew out and misappropriated the money. The court held that the check drawn to the order of the trust company imported ownership of the money by the drawer and his desire that the custody of the money should be transferred from the drawee bank to the trust company. This did not warrant the trust company in supposing that the drawee intended to pay the \$5,000 to the holder of the check or place him for any purpose in possession of the fund.

Again in *Hathaway v. County of Delaware*, 185 N. Y. 368, a former County Treasurer who was in default to the county, forged the name of the County Treasurer to a note which he took to the plaintiffs, saying it had been executed for a loan to the county. The plaintiffs drew their check payable to the County Treasurer, intending it for a loan to the county which they delivered to the former County Treasurer who used it to pay his debt to the county. The court held the plaintiffs were entitled to recover the money from the county. Among other things, it said: "The check was drawn by the plaintiffs to the order of defendant. It imported on its face that the money represented by it was the property of the plaintiffs and that they, not Woodruff (the former County Treasurer) were paying it to the defendant. Woodruff had no apparent title to the check. He was merely the agent of the plaintiffs for the purpose of delivering it to the defendant. * * * Therefore, we have in this case a payment not made by Woodruff, but made by the plaintiffs, and as to which the ordinary rule that money paid by mistake may be recovered applies."

Again, in *Kuder v. Greene*, 72 Ark. 504, Kuder drew a check upon a bank in Kansas payable to a bank in

Arkansas which he delivered to one Cole for the purpose of having the payee bank collect the check for him, Kuder. Cole in breach of trust deposited the check with the payee bank to his own credit and withdrew the proceeds. The court held that the form of the check was notice that the drawer, Kuder, had an interest therein and the bank should not have turned over the proceeds of the check to Cole or to any one else without an order from Kuder. The court said: "The check itself was notice to the bank of the fact that Kuder had an interest therein. It was not payable to Cole, but to the cashier of the bank * * *. It is true that the bank claimed that the payment was made in the ordinary way and in accordance with its usual custom. But if there was any such custom, it must have been one peculiar to that bank, for there is no proof and no reason to believe that there is any general custom among banks to pay over to third parties proceeds of checks made payable to the cashier of the bank for no other reason than that such parties have the check in their possession. It must be plain that, when payments are made in that way to third parties on their claim of ownership, it is done on the credit of such party, and with the expectation that he will make good the amount in case his statement of ownership should prove incorrect. If it was the custom of this bank to act differently, and to expect that the owner would shoulder the loss in such cases, it could not affect Kuder without notice to him of such custom, for, as before stated, it is not shown to be a general custom among banks to act in that way, so that plaintiff could be presumed to have known it."

The above cases, it is seen, are squarely to the effect that where a check is presented to the payee by one other than the drawer, it carries notice that the drawer has an interest therein and payment to the holder without inquiry is at the bank's peril. In other words, the payee who acquires for value a check from a holder other than the drawer is not a bona fide holder, but is put on inquiry by the form of the check.

The decisions in *Sims v. U. S. Trust Co.* in New York and *Kuder v. Greene* in Arkansas were made before the passage of the Negotiable Instruments Act in those states. When *Hathaway v. County of Delaware* was decided the Act was in force in New York, but was not referred to in the decision. But while the above cases to the effect that the payee is not a bona fide holder were not decided under the Act and the cases which have been decided thereunder are to the contrary, it seems to me the proposition has not been so fully considered or universally decided under the act as to leave it free from doubt. One consideration which arises from the technical terms of the Act itself has not been referred to in any of the decided cases. Under the Act an instrument drawn to the order of the payee is not payable to bearer, but is specifically defined as payable to order as is an instrument payable to the order of the drawee. An instrument payable to order "is negotiated by the indorsement of the holder completed by delivery." The holder is the "payee or indorsee of a bill or note, who has possession of it, or the bearer thereof." Now when

a check is drawn by A payable to B and delivered to C, C cannot negotiate it by delivery because it is payable to order and assuming that C is the holder or bearer thereof and would have a right to negotiate, he must do so, if at all, by indorsement to the payee, which would be irregular. In other words, the act does not seem to provide a method for negotiation of an instrument to the payee by a holder to whom it has been delivered by the maker.

From the above somewhat cursory review of the decisions bearing on the subject, it would seem to follow that the law upon the question of the status of a payee as bona fide holder, is not free from doubt and in view of this condition of law, where a check is both drawn upon and made payable to the same bank and presented by a holder other than the drawer, it would seem that the best course for the bank would be to refuse to pay without inquiry as to the authority of the holder to collect the money. Such a check is certainly not payable to bearer within the definition of bearer instruments given by the act and while, under certain of the decisions, payment to the holder without inquiry might be upheld on the theory that the payee for value is a holder in due course, other decisions would negative this conclusion.

USURIOUS DISCOUNT BY NATIONAL BANK

Excessive discount of note for maker is usurious but if note has legal inception and is acquired from indorser without recourse, question of usury doubtful—Where note discounted at excessive rate with recourse on indorser, transaction is usurious as to indorser but recoverable in full from maker—Authorities on subject examined.

From New Jersey—If a broker offers us (a national bank) a note and we purchase it at a discount of eight per cent., is it a violation of the United States law against a bank taking usury? Of course you understand the note is of a third party, and we would not be dealing in any way with the principals. Would not the same principle apply to the purchase of a short-time note of a railroad at a figure which would net, say, eight per cent.?

It is quite generally recognized by the authorities that if a note is discounted at an excessive rate for the maker direct, or for a broker acting as agent for the maker, or for an accommodation indorser of the maker, the proceeds of discount in each case going to the maker, the transaction is usurious, not being a purchase of the note but a loan to the maker; and the same rule has been held, in at least one case, to apply to corporation bonds where the bond house contracted with the issuing corporation to take their bonds, bearing the highest legal rate of interest, at less than par. If, therefore, your question should relate to the ordinary transaction where a national bank buys at an excessive rate the note of a commercial house payable to its own order who negotiates it to the bank through a broker, the latter being agent and not owner, the transaction will be usurious, for although in form a purchase it is in legal

effect a loan to the maker of the note through the agency of the broker.

But you state the note to be purchased of the broker at excessive discount "is of a third party and we would not be dealing in any way with the principals." Assuming from this that the note in question has had a valid legal inception by delivery to a holder for value before negotiation to your national bank at an excessive rate and the negotiation is by delivery or under indorsement without recourse, so that the bank can look only to the maker for payment, the question whether such transaction is a forbidden discount or a permissible purchase has been raised but left undecided by the Supreme Court of the United States and the law thereon is therefore uncertain. The case in which this question was raised was one where a national bank had discounted a promissory note for an indorser at a greater than the legal rate and the court held such transaction usurious as to the indorser, leaving open the question as to its legality in case the note had been indorsed without recourse, although in many jurisdictions, including New York and New Jersey, an individual, as distinguished from a national bank, might purchase such note from the indorser at a discount higher than the legal rate of interest without violating the usury law. (National Bank of Gloversville v. Johnson, 104 U. S. 271.)

A different rule applies to individuals than to national banks in cases of purchase of negotiable paper that has had a legal inception by delivery to a holder for value and it may be instructive to briefly consider the law on the subject.

It is a general rule that after a negotiable instrument has once been validly negotiated by a transfer upon valuable consideration it becomes an article of commerce and can be bought and sold as freely as any other property, the rate of discount being governed by the market value of each instrument. Such transactions are not within the letter or spirit of the usury law. The authorities are agreed that a bona fide sale of such an instrument, when transferred without the vendor's indorsement or indorsed without recourse, can be lawfully made at any rate of discount that may be agreed upon, since the transferrer is in no wise bound for the debt. But where the transferrer at an excessive discount is required to indorse or otherwise guarantee it, thus becoming contingently liable to pay to the purchaser at a future day a sum greater than that received with legal interest, the courts have differed as to the character and effect of such a transaction. (39 Cyc. 932.) It has been held by different courts (1) the transaction is usurious as to both indorser and maker, (2) the transaction is usurious as to the indorser but the defense of usury is personal and the maker is liable for the full amount, (3) the transaction is not usurious and the maker is liable for the full amount but the holder is limited in his recovery against the indorser to the amount advanced with legal interest, (4) the transaction is a valid sale of a note with warranty of its soundness and the purchaser can enforce the note for its full amount against both indorser and maker. Space will not be taken for citation of the various authorities.

But while the above is the general law which applies to individuals in the absence of some special statute, a different rule applies to national banks in view of the usury provisions of the National Bank Act. In *National Bank of Gloversville v. Johnson*, supra, decided in 1881, a national bank in New York discounted for the payee a number of promissory notes at an excessive rate. The notes were all paid by the makers to the bank. The indorser later sued the bank to recover twice the usurious interest paid under the penalty provision of the National Bank Act. The Supreme Court of the United States, in its opinion, took the view that if an individual instead of a national bank had so discounted the notes the transaction would have been valid, but such discount by a national bank was usurious. Referring to *Cram v. Hendricks*, 7 Wend. 569, the court said it had long been the law of New York that "The transfer by the payee of a valid available note, upon which when due he might have maintained an action against the maker, and which he parts with at a discount beyond the legal rate of interest, is not an usurious transaction, although the payee on such transfer indorses the note; and on non-payment by the maker, the indorsee may maintain an action against the indorser; but the sum which the indorsee in such case is entitled to recover of the indorser is the amount of the advance made by him, together with the interest thereon at the legal rate; while in an action against the maker the indorsee is entitled to the whole amount of the note. This proceeds upon the idea that the original note is founded upon a valid consideration, free from usury in its inception; and that the indorsement and delivery contains two contracts; one, executed, which transferred the title as upon a sale, as if indorsed without recourse; the other, executory, upon which the indorser is liable to the indorsee, to pay upon the default of the maker, after demand, and due notice thereof; although in the latter case, it will be observed, the recovery is limited by the New York decisions to the actual consideration paid, with lawful interest thereon. The transaction is treated as a sale of the note, and no limits are fixed by law upon the price of the article sold; but so far as the liability of the vendor is concerned, in order to avoid the consequences of treating the advance of money, which constituted the consideration, as a loan, it is limited to a return thereof, with lawful interest."

But the court held the same rule did not apply to a national bank transferee, which is governed by the provisions of the national statute. The view was taken that the purchase of a promissory note for a sum less than its face is a discount thereof. The court said: "Whether loans and discounts are identical, in the sense of Section 5197 or not, is quite immaterial, for both are expressly made subject to the same rate of interest. And unquestionably, the transfer of the notes, which forms the basis of this controversy, if not a loan, was a discount." The transaction was therefore held within the prohibition of the statute and to subject the bank to the penalties sued for.

The above case establishes as the rule of law governing national banks that where a note is discounted

for an indorser at higher than the allowed rate of interest, the transaction between bank and indorser is usurious and will subject the bank to the penalties prescribed by the act so far as the indorser is concerned. But it would appear according to a decision of the Supreme Court of New Jersey, which will be later referred to, that the bank can enforce the note for the full amount against the maker, in case it has not been paid and that the latter cannot defend either as to principal or interest because of a usurious transaction with the indorser.

The Supreme Court of the United States, after holding the transaction above stated usurious as to the indorser, then raises the question, which it finds unnecessary to decide, whether a national bank could lawfully purchase such a note at a discount above the legal rate without recourse upon the indorser. Upon this point it says: "In the present case, the paper was transferred by an indorsement, imposing the ordinary liability upon the indorser. It may, perhaps, be distinguished from cases where the title to the paper is transferred by an indorsement without recourse, or by mere delivery. The advance in such cases, to the previous holder, of the agreed consideration, can hardly be considered a loan, for the relation of debtor and creditor as between them is not created by the transaction, if made, as supposed, in good faith, and not as a cover for usury. Whether it be a discount, within the meaning of the sections we have considered and, therefore, subject to the same rule as to the rate of interest at which it may be discounted, which we have decided to be applicable to the transactions described in the present case; and if not, but is to be treated as a purchase of the paper, lawful at any proportion which the price paid bears to the amount ultimately payable by the parties to it; whether, in that case, national banks are authorized by the law of their organization, to acquire title to it in that way, are questions which do not arise in this case, and upon which we express no opinion."

The question thus raised and left undecided by the Supreme Court of the United States, as shown above, has not, so far as I can find, been the subject of any later decision in the Federal courts and is still an open one; nor do I find that the question of the legality of a national bank purchasing or discounting a note, at higher than the legal rate, without recourse upon the indorser, has been passed upon in any of the state courts. An individual can make such purchase, as already shown, but whether a national bank can do so is left uncertain.

The courts of New Jersey have in three cases considered the legal effect of discount of a note by a national bank for an indorser at an excessive rate, and these will be briefly referred to. The first case was decided in 1873, *Bramhall v. Atlantic Nat. Bank*, 36 N. J. Law 243. In this case a corporation made its note to a payee who procured its discount by a national bank in New York at higher than the legal rate of interest. The bank sued the indorser. It developed that the indorsement was for accommodation of the maker corporation which received the proceeds, but that fact was not

known to the bank. The indorser defended on the ground that the advance by the bank was virtually a loan to the maker and was therefore usurious. The court took the view that if the bank had knowledge that the indorsement was for accommodation, it would have been a usurious loan to the maker and penalty of forfeiture of the interest would have resulted. But where the bank did not know the indorsement was for accommodation, it was entitled to recover the amount advanced and legal interest from the indorser. This decision seems to proceed on the theory that if the payee was a holder for value and his indorsement not for accommodation, the transaction would have been a sale to the bank and not a usurious loan or discount to the indorser. As such it is contrary to the view subsequently taken in *National Bank of Gloversville v. Johnson*, supra.

Following this is *Importers and Traders Nat. Bank v. Littell*, 47 N. J. Law 233, decided in 1885. In this case the maker made his promissory note to a payee for value and the latter indorsed and discounted the note with a national bank at a greater than the legal rate. The action was against the maker. The questions for decision were (1) is the maker entitled to set up the defense of usury in the contract of indorsement as against the bank and (2) if the maker can set up this defense, what forfeiture of interest was incurred by the bank? The court said that under the law of both New York and New Jersey the transfer by the payee of a note, valid in its inception and unaffected by usury, at a discount greater than the legal rate of interest is not a usurious transaction and on non-payment by the maker the indorsee may maintain action upon it against both maker and indorser. This being the law as to an individual, the court inquired how far the national bank law in Sections 5197 and 5198 had modified the rule. It referred to *Smith v. Exchange Bank*, 26 Ohio St. 141, in which it was held that the party with whom the bank had the usurious transaction was the one to whom, under the Federal act, the forfeiture of interest was to be adjudged and that the maker of a valid note could not avail himself of the defense of usury in the contract of indorsement. It was therefore held that the maker could not set up the usurious transaction with the payee and the bank had judgment for the full amount of the note.

A third New Jersey decision is *National Bank of Rahway v. Carpenter*, 52 N. J. Law 165, decided in 1889 by the Court of Errors and Appeals. In this case a note was discounted by a national bank for the payee at higher than the legal rate. The note was afterwards paid by charging its amount to the account of the indorser. Thereafter the indorser brought an action against the bank for double the usurious interest. The fact that the transaction with the indorser was usurious was conceded and the only question was whether the action had been brought within the period of two years from the time the usurious interest was paid. The court held the usurious interest was paid at the time of discount and that the action had not been brought within the two-year period.

Summing up these New Jersey cases, they indicate that a discount of a note by a national bank for an indorser at an excessive rate is usurious as to the indorser but that the remedy of the bank against the maker of the note is unaffected.

Coming to the question whether purchase of a short time note of a railroad at a discount greater than the legal rate of interest would be usurious, the decision of the Supreme Court of Michigan in *Stirling v. Gogebie Lumber Co.*, 131 N. W. 109, decided in 1911, is pertinent. In that case the defendant, a lumber corporation, made an agreement to issue and sell to the plaintiffs, a bond house, \$250,000 of bonds bearing six per cent. interest "at the price of 90 and accrued interest net to you." The defendants afterwards refused to perform the agreement and the action was for breach of contract. It was conceded that if the discount of ten per cent. from par should be treated as interest or as a price to be paid by defendant for the use of money to be furnished by plaintiffs, the contract would be usurious. Plaintiffs contended that where a bond house, engaged in the business of buying and selling securities, undertakes to purchase bonds at a discount, to be resold to its customers, the discount is not interest, but compensation for its services in marketing the bonds. But the court held the transaction was a loan. It said: "The bonds in defendant's hands were not representative of property. They would become property or representative of property, and the subject of sale, only after the contemplated negotiation was completed and the money, repayment of which was promised and secured, as well by the indorsements as the mortgage, was actually turned over to and became the property of the defendant. The bonds were to have no inception, no action upon them could be maintained, as between these parties, until they were parted with, for money, to plaintiffs. It is the general rule that a note or other obligation in the hands of the maker thereof is not the subject of sale." The court further said: "We were not inattentive at the hearing, and have not been at chambers, to the argument that modern business methods and business convenience may be judicially taken notice of, and that courts, in considering such questions as the one presented upon this record, should declare valid contracts which conform with, and are but expressions of, business necessities and convenience, when it is apparent that no actual wrong or oppression was intended, and where, from the business standpoint, none has resulted. The Legislature has declared contracts, such as the one in question, usurious. The courts may not disregard the statute, invoked as it is by a party to the contract. It is the Legislature alone which has power to amend the law."

It would appear, therefore, that where bonds are purchased direct from the issuing corporation at a discount which would net a figure greater than the legal rate of interest, the transaction would be usurious, whether the purchase was made by private individuals or by a national bank; except that in any state (as in New York) where there is a statute which prohibits a corporation from interposing the defense of usury, such defense would not be available. But notwithstanding

such a statute, the Supreme Court of Illinois has held that while a corporation may not interpose the defense of usury, a contract by a corporation with a national bank to pay a commission in excess of legal interest, is within the prohibition of the usury statute and cannot be enforced at the instance of the bank. (Union Nat. Bank v. Louisville, etc., Ry. Co., 145 Ill. 208.) And in such case the Supreme Court of the United States decided it had no jurisdiction to interfere on the ground of discrimination because in previous cases the Supreme Court of Illinois may have upheld the right of an individual creditor to recover from a corporation upon a contract in excess of the legal rate, for the later decision declared the same rule for both individuals and national banks, that they cannot enforce a contract forbidden by the terms of the statute. (163 U. S. 325.)

The above discussion will be summarized as follows:

1. The discount either by an individual or a national bank at an excessive rate, of a note for the maker, or for a known accommodation indorser of the maker, or for a broker acting for the maker, the proceeds going to the maker, is an usurious loan.
2. Similar excessive discount of the note of a railroad or other corporation, for the corporation, the proceeds going to it, would be usurious except in so far as statutes in certain states forbidding corporations to plead usury might be held to virtually repeal the usury law as to corporation borrowers.
3. But where the note of an individual or a corporation which has had inception by delivery for value, is purchased or discounted at greater than the legal rate without recourse upon the transferrer, the transaction is valid as to an individual purchaser, while as to a national bank the question of permissible purchase or forbidden usurious discount has been left undecided by the United States Supreme Court.
4. Where a note which has inception in the hands of a payee for value is indorsed and discounted at an excessive rate by a national bank, the transaction with the indorser is usurious but the bank can recover the full amount from the maker. Such a transaction by an individual, instead of a national bank, is not usurious according to the majority of courts, either as to maker or indorser; but some courts limit recovery from the indorser to the amount advanced and legal interest thereon.

STOP PAYMENT OF CHECK

Where a check has been paid and returned to depositor who in ignorance thereof issues a duplicate and notifies the bank not to pay the original, bank not chargeable with knowledge that original has been paid and returned and not liable to depositor because duplicate is paid.

From Ohio—"A" being a depositor of a bank draws check on November 15th and check is paid by the bank on the 16th. On the 20th "A" has his book balanced. On November 25th "A" stops payment on check drawn on the 15th and paid by the bank on the 16th and returned to him on the 20th.

If duplicate is paid by the bank is bank liable to depositor?

Is a bank charged with the knowledge of paid vouchers that have been returned to its depositors? The enclosed form is the reason for this request.

"_____ Bank, _____, Ohio....."

"_____, Ohio.

"GENTLEMEN:

"The request is herewith made that payment be stopped on check of the undersigned, No., dated....., for \$....., payable to the order of

..... for the reasons as given below. Duplicate has been issued to-day.

"In receiving this request it is understood that you assume no responsibility beyond exercising reasonable care, and that the undersigned will reimburse you for any expense, loss or damage which you might incur through refusal of payment of the above check.

"The undersigned herewith certifies that the check covered by the above request has not been returned with cancelled checks and herewith absolves you from any responsibility or liability if said check had previously been paid and returned with cancelled checks.

"Reasons....."

"Yours very truly,

"....."
 "(To be officially signed.)"

This is a case where a depositor, nine days after his check has been paid and five days after it has been returned to him as a paid voucher, issues an order to the bank stopping payment of said check, stating that he has issued duplicate, that he will only hold the bank to reasonable care in obeying the order, certifying that the check has not been returned with cancelled vouchers, and absolving the bank from any liability if it has been previously paid and returned.

The question asked is whether, if the bank pays the duplicate, it will incur liability to its depositor and whether the bank is charged with knowledge of paid vouchers that have been returned to its depositors.

The order, it will be observed, does not stop payment of the duplicate which has been issued with the intent that it shall be paid, but refers to the original which has already been paid. The bank is, therefore, not put on notice as to the duplicate which it is expected to pay but is warned to look out for the original when presented and refuse payment of the same. But the original having already been paid and returned to the depositor, the bank certainly cannot be charged with knowledge of that fact and that the stop order has been issued in error, especially where the depositor certifies that the check has not been returned and expressly absolves the bank from responsibility if the check has been previously paid and returned. Aside from this certificate and abso-

lution, it is certainly not within the duty of the bank to remember the details of checks after they have been paid and returned as vouchers, so as to safeguard the depositor against his own mistakes in issuing duplicates—the performance of such a duty would obviously be impossible—and the certificate itself, which is an agreement between bank and depositor, expressly absolves the bank from responsibility in such case. I fail to see, therefore, upon what ground the bank could be held liable if it should pay the duplicate.

NOTE PAYABLE AT BANK

Maker liable in action by payee, though note not presented at bank where payable—But if maker pleads and proves he had sufficient funds in the bank at maturity and pays the money into court, he is liable only for the principal, without interest after maturity or costs.

From Oklahoma—A note reads as follows:

"November 1, 1915. After date for value received I promise to pay to John Doe or order at the L—— National Bank of T——, Okla., the sum of One Thousand Dollars (\$1,000), with interest at the rate of eight per cent. per annum from maturity until paid. The makers, signers and indorsers each severally waive presentation for payment, protest and notice, and further consent to any renewals or extensions without further notice. They also agree to pay an attorney's fee of \$10 and ten per cent. of this note if same is collected by an attorney or by legal proceedings.

"(Signed) RICHARD ROE."

The facts develop on the trial of a suit brought by John Doe against Richard Roe that the note was never presented for payment at The L—— National Bank; and the evidence further shows that Richard Roe had the money at all times in The L—— National Bank and that said note would have been paid if presented at the bank; and the evidence further shows that demand or presentment for payment was never made to Richard Roe. The suit was filed November 2d. Can John Doe recover?

This is an action by the payee against the maker of a negotiable note made payable at a bank, the note having never been presented at the bank before beginning of the action and the maker having at all times in bank the money to pay the note, which would have been paid if presented. You ask if under such circumstances the payee can recover judgment against the maker. The payee can recover, but if the maker pleads that the money was in bank ready to be paid at maturity and brings the money into court, this would bar the recovery of interest after maturity and costs.

Section 70 of the Negotiable Instruments Act of Oklahoma provides:

"Presentment for payment is not necessary in order to charge the person primarily liable on the instrument; but if the instrument is, by its terms, payable at a special place, and he is able and willing to pay it there at maturity, such ability and willingness are equivalent to a tender of payment upon his part. But except as herein otherwise provided, presentment, for payment is necessary in order to charge the drawer and indorsers."

Prior to the passage of the Negotiable Instruments Act in the different states, the settled rule of the courts was long to the same effect. It has been held in numerous cases that where a note is made payable at a particular bank or other place it is not necessary as to the maker to aver or prove presentment or demand of payment at the place on the day the instrument became due or afterward, in order to maintain an action against him. The only consequence of neglect of the holder to so present is that the maker, if he was ready at the time and place to make payment, may plead the matter in bar of interest and costs, but he must, at the same time, bring the money into court which the plaintiff will be entitled to receive. (*Armistead v. Armistead*, 10 Leigh (Va.) 525; *Daniel*, Neg. Instr. §643.)

There has been one decision under the above provision of the Negotiable Instruments Act, *Binghamton Pharmacy v. First Nat. Bank*, 176 S. W. (Tenn.) 1038. A note was made payable at a bank but the holder did not present at maturity or thereafter. The makers had a sufficient amount to their credit in the bank at maturity to pay the note and for several days thereafter, when the bank failed. Thereafter the holder demanded the money of the makers and then brought suit. The defense was that the makers were discharged because of the omission to present the note for payment when it fell due. It was contended that under the provisions of Section 87 of the act which makes an instrument payable at a bank "equivalent to an order to the bank to pay the same for the account of the principal debtor thereon" it was the duty of the holder to present it at the bank at maturity and for neglect of this duty the holder must respond to the makers for the damages suffered by them. The argument was that Section 87 put upon the holder of a note the same duties as rest upon the holder of an ordinary check. But the court, referring to Section 70, pointed out the difference between the drawer of a check and the maker of a note and that the latter is primarily liable on the instrument while the former is not. By Section 186 of the act it is made the duty of the holder of a check to present the same within a reasonable time or the drawer will be discharged from liability thereon to the extent of the loss caused by the delay; but no such duty as to the maker of a note rests upon the holder with respect to presentment. The court having held that presentment of the note at the bank where payable was not necessary in order to charge the maker, judgment against the makers was affirmed. In this case the makers proved that they had money in bank at the time of maturity of the note and afterwards, but it does not appear whether the money was brought into court, nor does the report show whether the judgment was given for the amount of the note without costs or interest subsequent to maturity. Furthermore, it appears that such judgment was rendered against the makers, although they had been injured through failure of the bank by the failure to present the note at maturity. In some cases it has been held that such loss is a matter of defense where pleaded by the maker.

But irrespective of the ruling in this particular case, enough has been shown to make clear the conclu-

sion that notwithstanding the failure of the payee in the present case to present the note at maturity he can recover thereon from the maker but will be barred from recovering interest after maturity and costs, provided the maker pleads that the money was in bank at maturity; in other words, his ability and willingness to pay the note there at maturity, and brings the money into court.

HECTOGRAPH SIGNATURE TO CHECK

Signature of depositor to check made with hectograph copy, if imprinted by depositor or by his authority, is valid and binding; but payor bank would take risk of unauthorized imprint, unless depositor negligent or agrees not to hold bank responsible in such case.

From Illinois—One of our customers has submitted to us the enclosed check with the signature filled in by the hectograph system. In other words, it is a copy of the original, and they have requested us to find out the legal phase of this signature. If in your experience you have known of this method being used, we wish that you would inform us. Kindly give us your opinion of same.

The check in question has upon its face the words "Pay-Roll Account." It is drawn by a corporation and printed below the blank line for the signature is the word "Supt." The signature of the superintendent is not affixed with his own hand but is a hectograph copy of the original signature, stamped or imprinted thereon. The object of using the hectograph is doubtless to save the time and labor of individually signing a large number of pay-roll checks.

You ask whether in my experience I know of this method being used. I have no knowledge of such method being used in signing checks drawn upon a bank for pay-roll or other purposes. You further ask as to the legal effect of a signature of this character. Of course, if such signature is put on by the superintendent, or by other authorized person it would be valid and binding. It has been held that a rubber stamp indorsement is valid when made by one having authority. (*Mayers v. McRimmon*, 53 S. E. (N. C.) 447.) But the danger to the bank of payment from honoring a check bearing such character of signature lies in the fact that some one without authority, having access to the hectograph will imprint the signature to a check and collect the

money. In such case if the corporation depositor should plead that the signature was unauthorized and not a valid order on the bank, a doubtful question of liability would arise. If the corporation was negligent in failing to keep the hectograph securely in the possession of the person authorized to imprint it on checks, it might be held estopped to deny the genuineness of the signature; otherwise the bank would be liable and the check non-chargeable. In *Robb v. Pennsylvania Co.*, 40 Atl. (Pa.) 969, a depositor procured to be made a rubber stamp facsimile of his signature which he kept in his safe. The bank did not know of the existence of such facsimile. His office boy abstracted the rubber stamp and affixed the same to checks which were paid by the bank. The court held that the mere possession by a depositor, without notice to the bank, of a rubber stamp facsimile of his signature, does not relieve the bank from liability to him for deposits paid out on checks to which such signature has been affixed by a forger. But if the forger obtained possession of the stamp through the negligence of the depositor, the responsibility for the loss occasioned by the forgeries would not rest upon the bank if the cashier exercised due care in the inspection of the checks. In this case, the jury found that the depositor was not negligent in the care of the stamp and the loss fell on the bank.

With reference to the check you submit, therefore, I should say it would be unsafe for the bank to honor pay-roll checks whereon the signature is imprinted by hectograph, for in case of an unauthorized use of the imprint there would be danger that the bank would be held responsible. If, however, the depositor is willing to assume all risk in this regard and will enter into a written agreement with the bank authorizing it to pay all checks so imprinted, expressly stipulating that the bank will not be held responsible although such imprint is placed on any check without authority, the bank may safely pay under such conditions. But in such case the risk of misuse would simply be transferred from bank to depositor and it would seem too great a risk for either to take. Rubber stamps, of course, are largely used where checks are indorsed for deposit or for collection, but in such cases there is no cash paid out to an individual holder of the check on faith of the stamped imprint.



TRUST COMPANY SECTION

OFFICERS OF THE TRUST COMPANY SECTION

PRESIDENT JOHN H. MASON, Vice-Pres. Commercial Trust Co., Philadelphia, Pa.	CHAIRMAN EXECUTIVE COMMITTEE FRANK W. BLAIR, Pres. Union Trust Co., Detroit, Mich.
FIRST VICE-PRESIDENT UZAL H. MCCARTER, President Fidelity Trust Company, Newark, N. J.	SECRETARY PHILIP S. BABCOCK, Five Nassau Street, New York City.

WORK OF THE TRUST COMPANY SECTION

The secretary has recently sent to each state vice-president a list of non-member trust companies in his respective state, together with membership application blanks and pamphlets setting forth the advantages of joining the American Bankers Association with enrollment in the Trust Company Section, with a request that they use their best endeavors to have such non-members join. It is hoped that all members appreciating the advantage of belonging to the American Bankers Association and being enrolled in the Trust Company Section will also endeavor to have any non-member of which they have knowledge join. Application blanks and pamphlets above referred to will be forwarded upon request.

To show that the Section has been, and is continuing to be, of service to its members, the following résumé of its activities may be of interest:

The Section, in addition to the discussion of practical questions of trust company business and management at its annual convention, has, from time to time, appointed committees which have been active in various lines of trust company work; one of the most important has been the protection of the use of the word "trust" by legislative enactments in many states where such laws were needed. Other committees have classified legal documents relating to safe deposit companies and have compiled a set of rules and forms of typical companies; have compiled and published a book of forms for the various departments of trust companies. Other committees have, in conjunction with committees of the Association, done much to secure the enactment of laws calling for proper supervision by state authorities, and brought about various reforms in the issue of municipal securities. The Section has published a compilation of laws relating to trust companies in every state and territory in the United States. The Section has also instituted what has been called an educational publicity campaign, having prepared various articles on the general features of the trust company work, and explaining what a trust company is and what it can do. These articles have been published in different papers throughout the country and undoubtedly have done much to educate the public as to the many advantages offered to the depositors and clients of trust companies.

Since the enactment of the Income Tax, the Section, by its representations to the Treasury Department, has done much to mitigate the onerous duties imposed upon trust companies by the "collection at the source" feature of that law. The Section has done much also to make it possible for trust companies to enter the Federal reserve system should they so desire.

At one of the early meetings of the Section the Executive Committee reported as follows:

"Notwithstanding its magnitude and importance, the business of the members of this Section has all come into existence in recent years and the trust company idea was originated within the memory of men now living. This thought suggested to your committee at its last meeting in New York the idea that the present is the time to preserve for history the facts and data of the origin of the very important movement which brought into existence the trust companies of this country. In a few years, it is quite possible there will be no one living from whom this information could be gleaned. It was, therefore, determined that two papers on the origin and growth of the trust company movement in Philadelphia and New York, respectively, should be presented to you to-day, not only for your entertainment and instruction, but also to the end that the record of those important events should be preserved for history, and in this the committee believes that it is fulfilling a portion of the mission of the Section."

This praiseworthy object was followed by numerous papers at our conventions, but in the last few years not so much attention has been given to it—it being the thought of the officers that more practical details should be more valuable to those attending the meetings. It has been thought wise very recently to secure as much of such historical data as possible and arrangements are now being made to have prominent trust company officials in various parts of the country prepare articles on the origin and development of trust companies in their respective localities. It is hoped to begin the publication of these in the JOURNAL-BULLETIN shortly and it is believed that they will be of much interest and value to members.



SAVINGS BANK SECTION

OFFICERS OF THE SAVINGS BANK SECTION

PRESIDENT
N. F. HAWLEY, Treasurer Farmers & Mechanics Savings Bank, Minneapolis, Minn.

FIRST VICE-PRESIDENT
GEORGE E. EDWARDS, President Dollar Savings Bank, New York, N. Y.

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

ONE HUNDRED NEW SCHOOL BANKS WILL BE ESTABLISHED IN NEW YORK CITY IN 1916

More than a month ago the Centennial Committee on the Extension of School Savings in New York City was appointed by V. A. Lersner, chairman of Savings Bank Centennial Committee of the Section. The committee is composed of six school teachers representing the five boroughs of New York City, with Associate City Superintendent of Schools Edward B. Shallow as honorary chairman. Mr. A. N. Clark was made the active chairman and Mr. Abraham London of one of the Brooklyn public schools, the secretary of the committee. Mr. Clark will be remembered as the originator of the Brook-

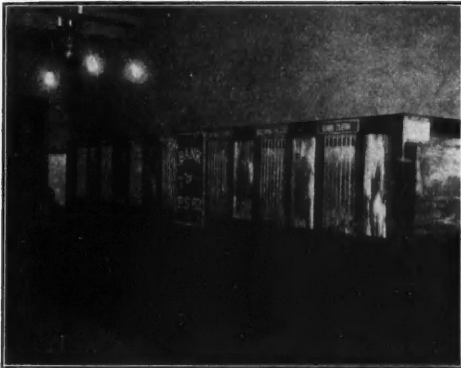
lyn system for the operation of school banks, which plan oughly discussed. It was decided that the Board of Education promote in every way possible the establishment of these new banks. Furthermore, it was decided that the savings banks in New York City be requested to furnish the supplies for each new bank, the cost of the same to approximate \$20 for each school. In other words, each school establishing a bank will secure from the savings bank in which it deposits the funds deposited by the children in the school banks the necessary supplies for the operation of the banks. The same plan of operating the school banks will be used for every new bank. A large stationery house will print 100 sets of supplies and will keep them in stock. The savings banks may obtain the supplies from this stationer. Of course, the cost of printing the supplies is reduced to a minimum by having such a quantity printed at one time.

A very interesting paper was read at this meeting by Mr. Clark, the chairman of the committee, which is in part as follows, and gives more in detail the work contemplated by this School Savings Extension Committee:

New York should lead and others should follow. This is not the condition at present in respect to school banks, but we can soon make it so. We have the population, and no city in the country can show a population which can be more thrifty than ours, when they are properly acquainted with its benefits. We have the school system. Where is there one better organized and better administered? We have the very marked inclination on the part of the pupils to save their money, as shown by the immediate success of the few school savings banks that have been established. Finally, we have a practical, workable scheme of public school banking which has been tested out under the severest conditions and has been found to be the most efficient of all schemes now in use throughout the country. Why not join these factors and make New York what it should be, the most thrifty city in the country. Hartford is said to be the richest city—let us make New York the most thrifty.

New Banks Should Be Installed

You perhaps noted in passing that the last available figures on school banks in New York City was for the year 1910. It is indeed unfortunate that we have no summary since that year; for a report on school banks brought up to date would show that New York is advancing rapidly. Since 1910 much has been done along the line of school banking and we are here to-day to see if we can do more. We are not satisfied with doing a little; we do not consider it fair that some of the children should have the advantages connected with school banking while others do not. We want to see the movement spread to more of the schools. It is not too much



A New York City School Bank

lyn system for the operation of school banks, which plan is being used in a great many cities in the United States, more particularly by the Chicago, Detroit and New York schools. It reduces to a minimum the work of teachers and bank employees.

There are 549 day schools in the city of New York and only thirty-five have school banks. This is a rather small proportion when compared with Detroit's almost one hundred per cent.; the schools of Minneapolis with about sixty-one; the schools of Chicago with about the same number.

On November 13th certain city officials, several members of the Board of Education, the vice-president and secretary of the Savings Bank Section attended a meeting with this New York committee, and the school savings extension work in New York City was thor-

to ask that all of the schools be encouraged to install school banks. A movement on such a large scale is not possible at once; the installation might well take several years. The development of a system of this kind might involve the expenditure of some small sum of money, but a more important consideration is the co-operation of the parents, pupils and teachers. We naturally have an aversion to people that we do not know, and to ideas that we do not thoroughly understand; therefore, it seems to me proper that before it is possible to generally install banks throughout the city there should be a period of instruction. I believe it is the intention of the American Bankers Association to instruct the parents throughout the United States during the coming year. Cannot some-

thing be done by the school authorities in this city in the way of instructing the teachers and the children. I am of the firm belief that once the subject of school banking is understood the installation of banks throughout the city will be an easy matter. The principals of the schools in our city have permission at the present time to install banks if they are so inclined. They are not installing banks because they do not realize the advantages to be derived from them. Wherever a bank has been installed the principal and teachers are staunch supporters of it and would not have the bank removed from the school under any conditions. They have been instructed. Cannot we devise some method of instructing others?

TEXT BOOK OF THE THRIFT CAMPAIGN

The Savings Bank Section has completed the text-book which will be used in conducting the thrift campaign. The material and information contained therein is adaptable to a city of any size. The following is the table of contents:

Addresses:

- The "1916" Centennial of Savings Banks.
 - Thrift and the Savings Bank—By William E. Knox.
 - Thrift—By Lord Rosebery.
 - Thrift—R. J. Burdette.
 - The Savings Idea and the People—E. St. Elmo Lewis.
 - Sociology of Savings—Geo. E. Allen.
 - Thrift in the Nation—Claude E. Scattergood.
- Suggestions for Constructing a Talk on Thrift:
- A Thrift Talk to Children.
 - A Thrift Talk to Men—By W. H. Kniffin, Jr.

Conducting a Thrift Campaign:

- How Bradford Did It.
- Through the Chapters of the A. I. B.
- Among the Immigrants.
- State-Wide Thrift Campaign.
- Information on the Subject of Thrift.
- Life Experience of One Hundred Average Men.
- Waste (Statistics).
- How to Eliminate Waste in the Office.
- Your Savings.
- An Aid to Your Campaign.
- How to Secure Additional Information.
- To Help the Family Budget Expenses.
- Some Recent Talks on Thrift.

This book may be secured upon request from the secretary of the Section. **HELP TO PROMOTE THE HABIT OF THRIFT IN YOUR COMMUNITY.**

THE NEW BANK OF WESLEYAN UNIVERSITY

In the Methods and Systems Committee report at the Savings Bank Section meeting in Seattle mention was made of a plan to promote thrift in the colleges of the country. Wesleyan University of Middletown, Conn., was chosen to make the experiment.

A bank will be established in the college store near the university campus about February 1st. The students will manage the bank and receive the deposits. The bank will be under the control and supervision of the Middletown National Bank. The students will be encouraged to manage their private affairs more systematically and to save a small amount from the income they receive. This is thrift in the highest degree. A more complete description of the bank will be given in the January number of the *JOURNAL-BULLETIN*.

and while it in no sense pretends to illustrate the best forms adaptable to every locality or to furnish an exhibition of forms, it does claim to present those forms necessary to the operation of each department of a savings bank or savings department, and that said forms are typical, containing the essential features, from which, if desired, bankers may construct other forms conforming to the local or legal conditions under which each operates. This book also contains certain information, such as, for instance, typical sets of rules and regulations of both mutual and stock savings banks, five different methods of figuring interest to depositors, methods of proving daily transactions, etc., etc.

The price of this book, handsomely bound in black leather, and delivered, is but four dollars to members of the American Bankers Association and seven dollars to non-members. All orders will receive prompt attention from the Secretary of the Savings Bank Section.

BOOK OF FORMS

Copies of the Book of Forms for Savings Banks and Savings Departments in Commercial Banks and Trust Companies are still for sale. It will be remembered that this book was published at cost to our members,

NEW RUSSIAN BANKS

A report was recently received of the establishment of 5,000 new government savings banks in Russia.

CLEARING HOUSE SECTION

OFFICERS OF THE CLEARING HOUSE SECTION

PRESIDENT

J. D. AYRES, Vice-President The Bank of Pittsburgh, N. A. Pittsburgh, Pa.

CHAIRMAN EXECUTIVE COMMITTEE

JOHN McHUGH, Vice-Pres. Mechanics & Metals Nat'l Bank, New York, N. Y.

VICE-PRESIDENT

W. D. VINCENT, Vice-President Old National Bank, Spokane, Wash.

"NO PROTEST" ITEMS

In the July issue of the *JOURNAL-BULLETIN*, in this department, there appeared an article describing in full the plan of designating "no protest" items recommended by Thos. A. Scott of Lynchburg, Va. The plan is meeting with general favor. Several banks now use it, having sent out circular letters to all of their correspondents urging its adoption. Some of these letters state that the system is recommended by the Clearing House Section, this impression probably having arisen on account of the publication of the article above referred to. But although no formal action has been taken by the Section as yet, the matter has been favorably considered by the Executive Committee of the Section and proper steps will be taken soon to give the proposition official sanction.

All that the plan needs is publicity. As soon as every bank in the country is duly notified, either by its own correspondents or through circular literature as to the meaning and intent of the "N-P" symbol stamped upon the check, the system may be said to be in operation. Those banks actually using this method of designating "no protest" cash items will only need to give notice of the fact on their regular letterhead used in listing transit checks. Once the idea is understood it is bound to find instant favor, especially since it does not conflict with present methods in the sense that it might cause confusion. Since banking usage constitutes the law in such matters, it may be inquired what effect the proposed change may have upon any litigation that

might arise over the protest or non-protest of an item. It can easily be shown that the new plan conforms to present usage so that no violence is done the legal ruling now in force, which is, briefly, that the disposition of the transit item is to be governed by instructions on the letter.

Let us compare the present system with the proposed change: A check that has passed through four banks in as many cities is presented for payment, which is refused. The holding bank refers to the letter of its correspondent and finds that the item is not to be protested. These instructions in the great majority of cases have been passed along from the bank of original deposit and from each succeeding endorser to the other by notations on the letter opposite the item. In a large list of items there will be many "no protest" checks and it is often difficult to note at a glance particular instructions amid other information, such as "place payable" and "endorsement." The result is that instructions are often "missed," to the general annoyance of everybody concerned.

Under the new plan you merely refer to the item itself. If you find a symbol "N-P" with a transit number stamped upon it you know that the check is not to be protested. You also know (admitting that the system is generally adopted) that you are protected by instructions on the letter since each remittance letter bears the general notice that items stamped as this item is stamped are not to be protested.

COUNTRY CLEARING HOUSE IN RICHMOND

THE following from the Richmond, Va., *News-Leader* is of interest to both the Clearing House Section and the American Institute of Banking: "H. G. Proctor was elected manager of the Richmond Country Clearing Association at a meeting of the advisory board held last night. Mr. Proctor has been in the banking business for the past ten years and is very popular in financial circles. He was twice elected president of the local chapter of the American Institute of Banking and was national secretary of the Institute in 1910. He will take active charge of the new clearing house at once, and under the direction of the advisory board will perfect an office organization.

"The Richmond Clearing Association will have an office force of about fifteen experienced bank clerks. As

the establishment of the association will relieve the various banks of some of the detail work, clerks from these banks will be given positions with the new association.

"In order to expedite the collection of country checks and to reduce the expense of handling this feature of the banking business here the national banks of the city organized the association, which will have its headquarters in the Merchants National Bank building.

"Similar associations have been organized in New York, Boston and other financial centers and have proven very successful. Richmond has recently been brought to the front as an important financial city because it is the home of the Fifth Reserve District Bank."

NATIONAL BANK SECTION

OFFICERS OF THE NATIONAL BANK SECTION

PRESIDENT
FRED. W. HYDE, Cashier National Chautauqua County Bank, Jamestown, N. Y.

VICE-PRESIDENT
J. S. CALFEE, Cashier Mechanics-American National Bank, St. Louis, Mo.

CHAIRMAN EXECUTIVE COMMITTEE
J. ELWOOD COX, President Commercial National Bank, High Point, N. C.

SECRETARY, Pro Tem.
FRED. E. FARNSWORTH, 5 Nassau Street, New York.

TO CONFER WITH RESERVE BANK GOVERNORS

In pursuance of an invitation extended by Governor Strong of the New York Federal Reserve Bank, the Executive Committee of the National Bank Section will meet jointly with the Conference of Governors of Federal Reserve Banks at Washington in January. Originally, the invitation was for this month, but a postponement became necessary. It now begins to look as though cooperation between the Executive Committee of the National Bank Section, the Currency Commission of the American Bankers Association, the Conference of Governors of Federal Reserve Banks, the Federal Reserve Advisory Council and the Organization of Federal Reserve Agents might bring about constructive suggestions bearing on the operation of the new banking system to a greater degree than would be possible in any other way.

Governor Strong's letter to the National Bank Section, which is self-explanatory, is as follows:

"As arranged at our Conference in New York, I have submitted to the Executive Committee of the Conference of Governors of the Federal Reserve Banks the sugges-

tion that a joint meeting of the Executive Committee of the National Bank Section of the American Bankers Association and the Conference of Governors be held in Washington at the first opportunity.

"The Executive Committee by unanimous action instructed me to convey to you an invitation for such a joint meeting to be held in Washington on the 14th or 15th of December. Our Conference will extend from the 14th to the 17th or 18th of December, the first meeting to be held at the Shoreham Hotel at 10 A. M. on the 14th. [Postponed until January—Ed.]

"I was also authorized to advise you that the members of the Federal Reserve Board would be most pleased to take advantage of this opportunity to meet the members of your organization at the time of your visit to Washington and to discuss any matters of interest in connection with the development of the Federal reserve system that you might find it of advantage to take up with them."

COMMITTEE MEETS AND ORGANIZES

The Executive Committee of the National Bank Section held a meeting November 12th at the offices of the Association in New York City for the purpose of completing organization and mapping out work for its future activity. There was a full attendance, representing all sections of the United States, and in addition there were present by invitation Gov. Benjamin Strong, of the Federal Reserve Bank of New York, and Pierre Jay, Federal reserve agent. The meeting was largely given up to a discussion of legislative matters pertaining to the Federal reserve system and its relation to the national banks.

The officers and members of the Executive Committee of the National Bank Section, all of whom were present, are: President, Frederick W. Hyde, cashier National Chautauqua County Bank, Jamestown, N. Y.; first vice-president, Joseph S. Calfee, cashier Mechanics-American National Bank, St. Louis, Mo.; J. Elwood Cox, president Commercial National Bank, High Point, N. C.; H. E. Ott, vice-president National City Bank, Chicago, Ill.; Oliver J. Sands, president American National Bank, Richmond, Va.; J. W. Spangler, vice-president Seattle National Bank, Seattle, Wash.; W. H.

Bucholz, vice-president Omaha National Bank, Omaha, Neb., and W. M. Van Deusen, cashier National Newark Banking Co., Newark, N. J.

There were also present J. D. Ayres, vice-president Bank of Pittsburg, N. A., president of the Clearing House Section; John McHugh, vice-president of the Mechanics and Metals National Bank, New York City, chairman of the Executive Committee of the Clearing House Section; Chas. A. Hinsch, president of the Fifth-Third National Bank, Cincinnati, Ohio, chairman of the Committee on Federal Legislation of the American Bankers Association; Fred. E. Farnsworth, General Secretary; Thomas B. Paton, General Counsel, and W. G. Fitzwilson, Assistant Secretary of the Association.

The committee organized by choosing J. Elwood Cox, of High Point, N. C., as chairman and Fred. E. Farnsworth as secretary *pro tem.*

A resolution was unanimously adopted protesting against the circular recently issued by Comptroller Williams charging national banks with exacting usurious rates of interest, and the secretary *pro tem.* was directed to send a copy to the comptroller. The resolutions will be found in full on another page of this issue.

STATE SECRETARIES SECTION

OFFICERS OF THE STATE SECRETARIES SECTION

PRESIDENT
HAYNES McFADDEN, Secretary Georgia Bankers Association, Atlanta, Ga.

FIRST VICE-PRESIDENT
S. B. RANKIN, Secretary Ohio Bankers Association, Columbus, Ohio.

SECOND VICE-PRESIDENT
FREDERICK H. COLBURN, Secretary California Bankers Association, San Francisco, Cal.

SECRETARY-TREASURER
GEORGE D. BARTLETT, Secretary Wisconsin Bankers Association, Milwaukee, Wis.

RHODE ISLAND BANKERS HOLD SUCCESSFUL DINNER

Although the youngest state bankers association in the fold, the Rhode Island association proved that it is fully capable of holding a man's-size gathering when it drew an attendance of about 200 bankers to the reception and dinner given Monday evening, November 29th, at the Narragansett Hotel, Providence. Those present included several prominent bankers of New York and Boston as well as New England. For the benefit of the visitors, several of the Providence banks kept open house and gave a lastingly favorable impression of Rhode Island hospitality.

The presiding officer at the banquet was Wm. P. Goodwin, president of the Rhode Island Bankers Association. He introduced as the first speaker Fred. E. Farnsworth, General Secretary of the American Bankers Association, who spoke on "Business and Politics." Colonel Farnsworth pointed out that the passage of the Federal Reserve Act did not mark the end of legislation affecting the banks, and that it is only by organized effort that improper legislation may be prevented and proper legislation procured. He also mentioned the newly organized National Bank Section as an active factor in the work to be undertaken. Henry D. Estabrook, of New York, the other speaker of the evening, made an appeal for a return from legislation based on humanitarian theories to legislation based on common sense.

If the great success of this first social function of the Rhode Island Bankers Association, which was only organized last spring, is any indication of its future, its career is assured. The association has a live secretary in the person of E. A. Havens, assistant cashier of the Mechanics National Bank of Providence.

ARIZONA CONVENTION

The Arizona Bankers Association held its twelfth annual convention at Castle Hot Springs, November 13th and 14th. There was a goodly attendance of members and visitors, who were hospitably entertained. President W. C. Foster presided at the opening session and the convention was welcomed by F. M. Murphy, of the Prescott National Bank. M. I. Powers, of the Citizens Bank of Flagstaff responded. Addresses were made by Russell Lowry, deputy governor of the Federal Reserve

Bank of San Francisco, on "Federal Reserve Banks"; Thomas E. Campbell, member State Tax Commission of Arizona; J. W. Hoopes, vice-governor of the Federal Reserve Bank of Dallas, "The Practical Operation of the Federal Reserve Bank," Stanley F. Morse, superintendent Agricultural Extension Service, University of Arizona, "The Arizona Banker and Agricultural Development"; Hon. Frank O. Smith, judge of the Superior Court of Yavapai County, Arizona, "The Profession of Banking from a Layman's Point of View"; Hon. Richard E. Sloan, ex-Governor of Arizona, "The Banker in Politics."

The election of officers resulted as follows: President, M. B. Hazeltine, vice-president Bank of Arizona, Prescott; vice-president, R. E. Moore, vice-president and cashier The Valley Bank, Phoenix; secretary, Morris Goldwater, president Commercial Trust & Savings Bank, Prescott; (reelected); treasurer, J. R. Todd, assistant general manager Gila Valley Bank & Trust Company, Globe.

LARGE ATTENDANCE AT NEBRASKA CONVENTION

The nineteenth annual convention of the Nebraska Bankers Association held October 27th and 28th at Omaha, drew the largest attendance in the history of the association. The visitors were royally entertained by the Omaha bankers, and from the time President J. C. McNish opened the convention until adjournment interest in the sessions was maintained. The association adopted a resolution expressing to the senators and members of Congress from Nebraska the hope that the Federal Reserve Act may be so amended as to place the national bank examiners under the direct supervision and control of the management in each Federal reserve district.

Addresses were made by W. A. Taylor, vice-president of the First National Bank, Hastings, on "Should Nebraska Banks be Legally Empowered to Act as Trustee, Executor, Administrator, etc.,"; John Clay, president of Clay, Robinson & Company on "Cattle Loans"; John J. Arnold vice-president of the First National Bank, Chicago, on "Economic Phases of the European War"; W. B. Harrison secretary of the Oklahoma Bankers Association, on "America's Place in a World Crisis"; Joseph French Johnson, dean of the New York University School of Commerce, on "Our Banking Problem"; Rev. Willard Scott of Brookline, Mass., and Henry D. Estabrook of New York City.

The election of officers resulted as follows: President, Thomas Murray, president Dunbar State Bank, Dunbar; secretary, Wm. B. Hughes, Omaha (re-elected); treasurer, T. L. Davis, cashier First National Bank, Omaha (re-elected).

At a meeting of members of the American Bankers Association in Nebraska the following officers were elected: Member Executive Council, J. C. McNish, president First National Bank, Wisner; vice-president for Nebraska, O. T. Eastman, assistant cashier First National Bank, Omaha; member Nominating Committee, J. T. May, vice-president Fremont National Bank, Fremont; alternate, S. H. Burnham, president First National Bank, Lincoln. Dr. P. L. Hall, president Central National Bank, Lincoln, was elected state vice-president for the National Bank Section.

ALL MEMBERS BUT ONE

Secretary W. H. Martin of the Washington Bankers Association announces that the association now embraces every bank in the state with the exception of one. That one has recently changed hands, and as it is impossible to imagine one lone bank staying out in the cold Mr. Martin expects that it will join very shortly. Such a record is always pleasing, as it shows that the advantages of association membership have been adequately presented and urged. One hundred per cent. membership is well worth striving for.

W. B. HARRISON RESIGNS

W. B. Harrison, the energetic and capable secretary of the Oklahoma Bankers Association, has resigned that office to go into business in St. Louis. With the aid of Illinois capital, he has organized the St. Louis Cattle Loan Company, of which he will have active charge as vice-president. The institution will have a capital of \$50,000, to be increased as the business warrants. Oklahoma loses a valuable man, but his many friends will wish Mr. Harrison success in his new undertaking.

ALABAMA DATES CHANGED

In order to avoid conflict with other convention dates, the Alabama Bankers Association has changed the time of its 1916 convention to April 27, 28 and 29, at the San Carlos Hotel, Pensacola, Fla.

GOOD ROADS WORK COMMENDED

All the groups of the Missouri Bankers Association, which held their meetings the latter part of October, adopted a resolution of uniform purport, reading substantially as follows:

Resolved: That we commend the officials of the Missouri Bankers Association for their untiring efforts and efficiency in promoting the work of the association; especially for their efforts to promote improved agricultural methods and good roads. And we further commend the policy of the Missouri Bankers Association in offering an educational plan to the young bankers of Missouri which will not only increase their personal efficiency, but will prove of inestimable value to the banking business of the state.

CONVENTION CALENDAR

1916

April 27-29	Alabama.....	Pensacola, Fla.
May 2-4	Texas.....	Houston
May 16-17	Missouri.....	_____
May _____	Mississippi.....	Laurel
June 28-29	So. Dakota.....	Sioux Falls
_____	Reserve City Bankers.....	Detroit
_____	Florida.....	Daytona
_____	Iowa.....	Waterloo
_____	Idaho.....	Lewiston
_____	West Virginia.....	Wheeling
Sept. _____	Investment.....	Cincinnati

STATE BANKERS ASSOCIATIONS

(REVISED TO DECEMBER 1, 1915)

ALABAMA—ORGANIZED 1892.

President—JAMES KEITH, JR., Vice-President Anniston City National Bank, Anniston.

Vice-President—S. S. BROADUS, President Tennessee Valley Bank, Decatur.

Secretary-Treasurer—MCLANE TILTON, JR., President First National Bank, Pell City.

ARIZONA—ORGANIZED 1903.

President—M. B. HAZELTINE, Vice-President Bank of Arizona, Prescott.

Vice-President—R. E. MOORE, Vice-President and Cashier Valley Bank, Phoenix.

Secretary—MORRIS GOLDWATER, President Commercial Trust & Savings Bank, Prescott.

Treasurer—J. R. TODD, Asst. General Manager Gila Valley Bank & Trust Co., Globe.

ARKANSAS—ORGANIZED 1891.

President—B. C. POWELL, Cashier Merchants & Planters Bank, Camden.

Vice-President—C. S. FITZPATRICK, Cashier Interstate Banking & Trust Company, Helena.

Secretary—ROBERT E. WAIT, President Citizens Investment & Security Company, Little Rock.

Treasurer—CHARLES M. GREENE, President Citizens Bank, Harrison.

CALIFORNIA—ORGANIZED 1891.

President—CHARLES A. SMITH, Cashier Security Bank, Oakland.

Vice-President—J. M. HENDERSON, President Sacramento Bank, Sacramento.

Secretary—FREDERICK H. COLBURN, 1064 Mills Building, San Francisco.

Treasurer—G. A. KENNEDY, Assistant Cashier First National Bank, San Francisco.

COLORADO—ORGANIZED 1902.

President—THEODORE G. SMITH, Vice-President International Trust Company, Denver.

Vice-President—J. M. B. PETRIKIN, Vice-President First National Bank, Greeley.

Secretary—PAUL HARDEY, Cashier Interstate Trust Company, Denver.

Treasurer—A. M. REX, Cashier Kiowa State Bank, Kiowa.

CONNECTICUT—ORGANIZED 1899.

President—WILLIAM H. DOUGLASS, President Mechanics Bank, New Haven.

Vice-President—F. S. CHAMBERLAIN, Cashier New Britain National Bank, New Britain.

Secretary—CHARLES E. HOYT, Secretary and Treasurer South Norwalk Trust Company, South Norwalk.

Treasurer—CHARLES N. COIT, Vice-President First National Bank, Litchfield.

DELAWARE—ORGANIZED 1913.

President—JOHN B. SMITH, Cashier First National Bank, Milford.

Vice-President—OTHO NOWLAND, President Equitable Guardian & Trust Company, Wilmington.

Secretary-Treasurer—CALEB M. SHEWARD, Vice-President Wilmington Trust Company, Wilmington.

DISTRICT OF COLUMBIA—ORGANIZED 1901.

President—WM. T. GALLIHER, President American National Bank, Washington.

First Vice-President—JOHN POOLE, President Federal National Bank, Washington.

Second Vice-President—CORCORAN THOM, Vice-President American Security Bank, Washington.

Secretary—EDMUND S. WOLFE, Cashier District National Bank, Washington.

Treasurer—ALBERT S. GATLEY, Cashier Lincoln National Bank, Washington.

FLORIDA—ORGANIZED 1889.

President—A. S. WILLARD, Cashier Putnam National Bank, Palatka.

Vice-Presidents—FORREST LAKE, Sanford; A. P. ANTHONY, Jacksonville; G. G. WARE, Leesburg; R. M. PRICE, Miami; T. C. WATTS, Jasper.

Secretary-Treasurer—GEORGE R. DESAUSURE, Vice-President Barnett National Bank, Jacksonville.

GEORGIA—ORGANIZED 1892.

President—E. S. ETHERIDGE, President Jackson Banking Company, Jackson.

Vice-Presidents—CHARLES B. LEWIS, Macon; R. H. BROWN, Augusta; JOSEPH W. HEFFERNAN, Savannah; T. R. TURNER, Haddock; H. W. MARTIN, Atlanta.

Secretary—HAYNES MCFADDEN, Candler Building, Atlanta.

Treasurer—E. C. SMITH, Vice-President and Cashier Griffin Banking Company, Griffin.

IDAHO—ORGANIZED 1905.

President—F. L. DAVIS, Cashier Fremont County Bank, Sugar.

Vice-President—C. H. COFFIN, Assistant Cashier Boise City National Bank, Boise.

Secretary—J. W. ROBINSON, Secretary Union Savings & Trust Company, Boise.

Treasurer—E. H. PLOWHEAD, Cashier Caldwell Commercial Bank, Caldwell.

ILLINOIS—ORGANIZED 1891.

President—GEORGE WOODRUFF, President First National Bank, Joliet.

Vice-President—W. S. REARICK, President Skiles, Rearick & Company, Ashland.

Secretary—R. L. CRAMPTON, 208 So. La Salle Street, Chicago.

Treasurer—C. E. COVENTRY, Asst. Cashier First National Bank, Findlay.

INDIANA—ORGANIZED 1897.

President—FRANK J. PITNER, Cashier First National Bank, Laporte.

Vice-President—JOSEPH L. BAYARD, JR., Cashier First National Bank, Vincennes.

Secretary—ANDREW SMITH, Vice-President Indiana National Bank, Indianapolis.

Treasurer—W. G. GUDE, Cashier Merchants National Bank, Lafayette.

IOWA—ORGANIZED 1887.

President—H. T. BLACKBURN, Cashier Des Moines Savings Bank, Des Moines.

Vice-President—W. A. DEXTER, Cashier First National Bank, Toledo.

Secretary—P. W. HALL, Des Moines.

Treasurer—C. J. WHOLENBERG, Cashier Holstein Savings Bank, Holstein.

KANSAS—ORGANIZED 1887.

President—CHARLES E. LOBDELL, President First National Bank, Great Bend.

Vice-President—L. H. WULFEKUEHLER, Vice-President Wulfekuehler State Bank, Leavenworth.

Secretary—W. W. BOWMAN, Topeka.

Treasurer—L. E. MERGEN, Cashier German National Bank, Beloit.

KENTUCKY—ORGANIZED 1891.

President—MAX B. NAHM, Vice-President Bowling Green Trust Company, Bowling Green.

Secretary—ARCH. B. DAVIS, American National Bank Building, Louisville.

Treasurer—H. D. ORMSBY, Vice-President and Cashier National Bank of Kentucky, Louisville.

LOUISIANA—ORGANIZED 1900.

President—L. M. POOL, Vice-President Hibernia Bank & Trust Company, New Orleans.

Vice-President—J. W. BOLTON, President Rapides Bank, Alexandria.

Secretary—L. O. BROUSSARD, President Bank of Abbeville, Abbeville.

Treasurer—ARTHUR T. KAHN, Vice-President Commercial National Bank, Shreveport.

MAINE—ORGANIZED 1900.

President—SUMNER C. PARCHER, President Saco & Biddeford Savings Institution, Saco.

Vice-President—ERNEST J. EDDY, Vice-President and Cashier Fidelity Trust Company, Portland.

Secretary—E. S. KENNARD, Cashier Rumford National Bank, Rumford.

Treasurer—GEORGE A. SAFFORD, Treasurer Kenduskeag Trust Company, Bangor.

MARYLAND—ORGANIZED 1896.

President—HARVEY L. COOPER, President Denton National Bank, Denton.

Vice-President—JAMES M. SLOAN, President Lonaconing Savings Bank, Lonaconing.

Secretary—CHARLES HANN, Assistant Cashier Merchants-Mechanics National Bank, Baltimore.

Treasurer—WILLIAM MARRIOTT, Cashier Western National Bank, Baltimore.

MASSACHUSETTS—ORGANIZED 1905.

President—ASHTON L. CARR, Vice-President State Street Trust Company, Boston.

Vice-President—CHARLES B. COOK, Cashier Metacomet National Bank, Fall River.

Secretary—GEORGE W. HYDE, Asst. Cashier First National Bank, Boston.

Treasurer—J. H. GIFFORD, Cashier Merchants National Bank, Salem.

MICHIGAN—ORGANIZED 1887.

President—A. G. BISHOP, President Genesee County Savings Bank, Flint.

First Vice-President—W. J. GRAY, Vice-President First and Old Detroit National Bank, Detroit.

Second Vice-President—F. W. BLAIR, President Union Trust Co., Detroit.

Secretary—MRS. H. M. BROWN, 1313 Ford Building, Detroit.

Treasurer—R. A. PACKARD, Cashier Commercial Bank, Menominee.

MINNESOTA—ORGANIZED 1887.

President—O. W. LUNDSTEN, President Bank of Hutchinson, Hutchinson.

Vice-President—HENRY VON DER WEYER, Vice-President Merchants National Bank, St. Paul.

Secretary—GEORGE H. RICHARDS, 611 Northwestern Bank Building, Minneapolis.

Treasurer—J. J. PONSFORD, Cashier State Bank of Watertown, Watertown.

MISSISSIPPI—ORGANIZED 1889.

President—S. J. HIGH, Cashier Peoples Bank & Trust Company, Tupelo.

Vice-President—J. A. BANDI, Vice-President First National Bank, Gulfport.

Secretary—T. H. DICKSON, Vicksburg.

Treasurer—E. P. PEACOCK, Cashier Bank of Clarksdale, Clarksdale.

MISSOURI—ORGANIZED 1891.

President—W. C. GORDON, Cashier Farmers Savings Bank, Marshall.

Vice-President—THORNTON COOKE, Vice-President Fidelity Trust Company, Kansas City.

Secretary—W. F. KEYSER, Sedalia.

Treasurer—W. B. SANFORD, President Holland Banking Company, Springfield.

Assistant Secretary—E. P. NEEF, Sedalia.

MONTANA—ORGANIZED 1904.

President—C. W. BUTLER, President State National Bank, Miles City.

Vice-President—FRANK BOGART, Vice-President Union Bank & Trust Company, Helena.

Secretary-Treasurer—H. V. ALWARD, Cashier Commercial National Bank, Great Falls.

NEBRASKA—ORGANIZED 1890.

President—THOMAS MURRAY, President Dunbar State Bank, Dunbar.

Secretary—WM. B. HUGHES, Manager Omaha Clearing House, Omaha.

Treasurer—T. L. DAVIS, Cashier First National Bank, Omaha.

NEVADA—ORGANIZED 1908.

President—C. W. FOOTE, Cashier Churchill County Bank, Fallon.

Vice-President—MOSES REINHART, President Winnemucca State Bank, Winnemucca.

Secretary—J. W. DAVEY, Secretary Reno Clearing House Association, Reno.

Treasurer—J. T. GOODIN, Cashier First National Bank, Lovelocks.

NEW HAMPSHIRE—ORGANIZED 1913.

President—FREDERICK W. SAWYER, Vice-President and Cashier Souhegan National Bank, Milford.

Secretary—HARRY L. ADDITON, Cashier Merchants National Bank, Manchester.

Treasurer—BERNARD Q. BOND, Cashier Norway Plains Savings Bank, Rochester.

NEW JERSEY—ORGANIZED 1903.

President—EDWARD S. PIERSON, President Greenville Banking & Trust Company, Jersey City.

Vice-President—JOHN D. EVERITT, President Orange National Bank, Orange.

Secretary—WILLIAM J. FIELD, Vice-President Commercial Trust Company, Jersey City.

Treasurer—WILLIAM CHAMBERS, President Vineland Trust Company, Vineland.

NEW MEXICO—ORGANIZED 1905.

President—JOHN CORBETT, President Bank of Deming, Deming.

Vice-President—H. B. JONES, President First National Bank, Tucuman.

Secretary—J. C. CHRISTENSEN, Raton.

Treasurer—ROY AMMERMAN, Cashier First State Bank & Trust Company, Roswell.

NEW YORK—ORGANIZED 1894.

President—JOHN A. KLOEPFER, President Union Stock Yards Bank, Buffalo.

Vice-President—BENJAMIN E. SMYTHE, President Gramatan National Bank, Bronxville.

Secretary—WILLIAM J. HENRY, 11 Pine Street, New York City.

Treasurer—F. L. BARNES, Cashier National Bank of Syracuse, Syracuse.

NORTH CAROLINA—ORGANIZED 1897.

President—J. L. ARMFIELD, President Bank of Thomasville, Thomasville.

Vice-Presidents—W. S. BLAKENEY, Monroe; W. B. DRAKE, JR., Raleigh; JAMES A. GRAY, JR., Winston-Salem.

Secretary-Treasurer—WILLIAM A. HUNT, Cashier Citizens Bank, Henderson.

NORTH DAKOTA—ORGANIZED 1903.

President—W. D. MCCLINTOCK, President Merchants Bank, Rugby.

Vice-President—J. E. PHELAN, President First National Bank, Bowman.

Secretary—W. C. MACFADDEN, Fargo.

Treasurer—C. W. FIELDER, Cashier Bottineau County Bank, Bottineau.

OHIO—ORGANIZED 1891.

President—O. N. SAMS, President Merchants National Bank, Hillsboro.

Vice-President—A. E. ADAMS, President First National Bank, Youngstown.

Secretary—S. B. RANKIN, President Bank of South Charleston, South Charleston. Office of the Association, 805 Wyandotte Building, Columbus.

Treasurer—W. L. LAMB, Asst. Cashier National Bank of Commerce, Toledo.

OKLAHOMA—ORGANIZED 1897.

President—T. H. DWYER, President Chickasha National Bank, Chickasha.

Vice-President—L. E. PHILLIPS, Cashier Bartlesville National Bank, Bartlesville.

Secretary—W. B. HARRISON, 908 Colcord Building, Oklahoma.

Treasurer—JOHN A. HOLT, Cashier Farmers State Bank, Gage.

OREGON—ORGANIZED 1905.

President—J. M. POORMAN, Cashier Bank of Woodburn, Woodburn.

Vice-President—F. L. MEYERS, Cashier Le Grande National Bank, Le Grande.

Secretary—J. L. HARTMAN, Hartman & Thompson, Bankers, Portland.

Treasurer—WILLIAM G. TATE, President First National Bank, Tillamook.

PENNSYLVANIA—ORGANIZED 1894.

President—E. P. PASSMORE, Vice-President and Cashier Franklin National Bank, Philadelphia.
Vice-President—J. W. B. BAUSMAN, President Farmers Trust Company, Lancaster.
Secretary—D. S. KLOSS, Cashier First National Bank, Tyone.
Treasurer—C. J. NIEMAN, Cashier First National Bank, Leechburg.

RHODE ISLAND—ORGANIZED 1915.

President—WILLIAM P. GOODWIN, Treasurer Peoples Savings Bank, Providence.
Vice-President—S. P. COOKE, President Producers National Bank, Woonsocket.
Secretary—E. A. HAVENS, Asst. Cashier Mechanics National Bank, Providence.
Treasurer—HENRY L. WILCOX, Cashier National Bank of Commerce, Providence.

SOUTH CAROLINA—ORGANIZED 1901.

President—JOHN W. SIMPSON, Vice-President Central National Bank, Spartanburg.
Vice-President—IRA B. DUNLAP, Vice-President and Cashier First Trust & Savings Bank, Rock Hill.
Secretary-Treasurer—JULIEN C. ROGERS, Cashier First National Bank, Florence.

SOUTH DAKOTA—ORGANIZED 1886.

President—N. E. FRANKLIN, President First National Bank, Deadwood.
Vice-President—J. B. LAMBERTSON, Cashier Sioux Falls Savings Bank, Sioux Falls.
Secretary—J. E. PLATT, President Security Bank, Clark.
Treasurer—R. E. CONE, President James Valley Bank, Huron.

TENNESSEE—ORGANIZED 1890.

President—SAMUEL T. JONES, President Bank of Sweetwater, Sweetwater.
Vice-Presidents—A. B. CROUCH, Johnson City; EMOBY KIMBROUGH, Clarksville; W. T. WILLIAMSON, Mason.
Secretary—F. M. MAYFIELD, Nashville.
Treasurer—C. E. TAYLOR, Cashier Ducktown Banking Company, Ducktown.

TEXAS—ORGANIZED 1885.

President—JOSEPH HIRSCH, Vice-President Corpus Christi National Bank, Corpus Christi.
Vice-Presidents—AUGUST DE ZAVALA, Houston; R. K. MIMS, Laredo; R. J. ECKHARDT, Taylor; C. M. CAMPBELL, Temple; J. W. MURCHISON, Athens; L. L. SHIELD, Santa Anna; F. H. SHERWOOD, Fort Worth.
Treasurer—C. A. FISK, Cashier Amarillo Bank & Trust Company, Amarillo.
Asst. Secretary—MISS LYDIA LITTMAN, Dallas.

UTAH—ORGANIZED 1909.

President—M. S. BROWNING, President First National Bank, Ogden.
First Vice-President—JOHN PINGREE, President Merchants Bank, Salt Lake City.

Second Vice-President—GEORGE E. WHITMORE, Cashier First National Bank, Nephi.
Secretary-Treasurer—J. E. SHEPARD, Cashier Cache Valley Banking Company, Logan.

VERMONT—ORGANIZED 1909.

President—H. M. MCFARLAND, Vice-President Lamoille County National Bank, Hyde Park.
Vice-President—H. G. WOODRUFF, Director National Bank of Orange County, Chelsea.
Secretary—C. S. WEBSTER, Treasurer Barton Savings Bank & Trust Company, Barton.
Treasurer—D. L. WELLS, Cashier First National Bank, Orwell.

VIRGINIA—ORGANIZED 1893.

President—C. E. TIFFANY, President Fauquier National Bank, Warrenton.
Vice-President—E. B. SPENCER, Cashier National Exchange Bank, Roanoke.
Secretary—WALKER SCOTT, Cashier Planters Bank, Farmville.
Treasurer—JULIEN H. HILL, Cashier National State & City Bank, Richmond.

WASHINGTON—ORGANIZED 1899.

President—H. C. LUCAS, Vice-President Yakima Trust Company, North Yakima.
Vice-President—RALPH S. STACEY, President National Bank of Tacoma, Tacoma.
Secretary—W. H. MARTIN, Cashier Pioneer National Bank, Ritzville.
Treasurer—E. C. DAVIS, President Grant County Bank, Ephrata.

WEST VIRGINIA—ORGANIZED 1895.

President—R. E. TALBOTT, Cashier Citizens National Bank, Philippi.
Vice-President—A. B. C. BRAY, Cashier First National Bank, Ronceverte.
Secretary-Treasurer—JOSEPH S. HILL, Cashier National City Bank, Charleston.

WISCONSIN—ORGANIZED 1892.

President—S. M. SMITH, Cashier Merchants & Savings Bank, Janesville.
Vice-President—J. R. WHEELER, Cashier Farmers & Merchants Union Bank, Columbus.
Secretary—GEORGE D. BARTLETT, 408 Pabst Building, Milwaukee.
Treasurer—J. J. JAMIESON, Cashier First National Bank, Shullsburg.

WYOMING—ORGANIZED 1908.

President—SUMNER MILLER, Cashier Pine Bluffs State Bank, Pine Bluffs.
Vice-President—GEORGE W. PERRY, Vice-President Sheridan National Bank, Sheridan.
Secretary—HARRY B. HENDERSON, Cashier Wyoming Trust & Savings Bank, Cheyenne.
Treasurer—BOIES C. HART, President Pioneer Trust & Savings Bank, Basin.



LIBRARY DEPARTMENT

MARIAN R. GLENN, LIBRARIAN

WHAT THE ASSOCIATION LIBRARY IS DOING

"Is the Association Library of much use to bankers outside New York?" asked a recent visitor.

The October loan records of the Library supplied the answer, and it may interest other bankers to know that they showed more material sent to California than to any other state, during the past month. Thirty New York bank men borrowed books, but more questions were answered and more material was loaned to bankers hundreds of miles away from headquarters.

North Dakota requests were a close second to those from California, and the mails carried "package libraries" to Indiana, Virginia, Georgia, Oklahoma, Minnesota, Ohio, Rhode Island, Iowa, South Dakota, Washington, New Jersey, Massachusetts, South Carolina, Illinois, Pennsylvania and Montana.

Requests for information on credit subjects were most frequent, with thrift and savings subjects also in active demand. One banker sent for suggestions which would help him organize a farm bureau, while another wanted material for the preparation of an address. Institute men asked for debate data, and loans were made to three

New York business libraries. Books on money, banking, credit, economic history, foreign exchange, and industrial development were loaned to bankers in New York, California, Pennsylvania, Indiana and Illinois, and material for a magazine article was supplied to an economic writer. A bank advertising manager was put in touch with the source of some information needed for a publicity campaign and pictures sent to two banks that are planning new buildings.

In addition to questions answered at the Library and by telephone, the material loaned, both in New York and by mail, covered the subjects of life insurance, savings plans, remedial loan banks, school savings banks, credit statements, agricultural credit, investment, acceptances, state banks, efficiency and scientific management in banks, credit departments, credit analysis, reserves, accounting, trust deeds, mortgages and real estate loans, bills of lading, cartels, the work of a note teller, savings bank investment, the Federal reserve system, commercial paper, bills of exchange, trust legislation, and collateral loans.

CATTLE LOANS

The Library has the following articles on cattle loans, but more information is needed for answering inquiries. Will bankers who have written on this subject please send to the Library copies of their articles or addresses, or suggest where additional data can be found.

- Bassett, J. M.—Financing cattle paper. (In Texas Bankers Record. v. 4. p. 30. August, 1915.)
- Benton, O. L.—The present status of cattle paper in the light of history. (In Kansas Bankers Association Proceedings. p. 146. 1904.)
- Briggs, W. E.—Cattle paper as an investment. (In Financial World. v. 25. p. 18. July 17, 1915.)
- Dickey, W. P.—My experience with cattle paper. (In Bankers' Magazine. v. 90. p. 725. June, 1915.)
- Drovers National Bank, Chicago.—Laws governing chattle mortgages of livestock. 1914. (Pamphlet.)
- Ebersole, J. F.—Cattle loan banks. (In Journal of Political Economy. (v. 22. p. 577. June, 1914.)
- Ebersole, J. F.—Cattle loan companies. (In Commercial West. v. 27. p. 33. May 15, 1915.)
- Freeman, F. A.—Livestock production and banking. (In Montana Bankers Association Proceedings. p. 69. 1911.)
- Hellings, J. M., Jr.—Bankers should not handicap their commercial or cattle customers by confusing ar-

rangements for caring for just demands of either line. (In Financier. v. 106. p. 1203. October 30, 1915.)

- Hellings, J. M., Jr.—Financing cattle paper (In Coast Banker. v. 15. p. 284. October, 1915.)
- Lively, D. O.—Livestock as bank security. (In Oregon Bankers Association Proceedings. p. 39. 1911.)
- Pacific Banker.—Plan of procedure of the Portland Cattle Loan Co., in the financing of cattle loans. (In v. 22. p. 3. February 27, 1915.)
- Peck, J. W.—Cattle paper. (In Banking Law Journal. v. 15. p. 293. 1898.)
- Riegles, A. E. de—Livestock as a security; address before the Montana Bankers' Association. (In Commercial and Financial Chronicle. v. 101. p. 815. September 11, 1915.)
- Stege, W. F.—Extending credit for dairy stock. (In North Dakota Banker, May, 1914.)
- Wright, Wirt. Live beef loans. (In Bankers Magazine. v. 90. p. 359. March, 1915.)
- Wright, Wirt.—Loaning money for beef production; broader demand for cattlemen's paper would lower rates and supply more capital. (In Financier. v. 105. p. 707. March 13, 1915.)
- Wright, Wirt.—Reserve Act and cattle financing. (In Financier. v. 103. p. 1247. April 25, 1914.)

BULLETIN

OF THE

AMERICAN INSTITUTE OF BANKING

INSTITUTE EXECUTIVE COUNCIL

1916—WILLIAM S. EVANS (*ex-officio*), Henry & West, Philadelphia, Pa.; J. H. DAGGETT (*ex-officio*), Marshall & Isley Bank, Milwaukee, Wis.; W. O. BIRD, Colorado National Bank, Denver, Colo.; EUGENE J. MORRIS, Manayunk National Bank, Philadelphia, Pa.; GEORGE H. KEESEE, Federal Reserve Bank, Richmond, Va.; C. LELAND GETZ, Robt. Garrett & Sons, Baltimore, Md.

1917—ROBERT H. BEAN (*ex-officio*), Old South Trust Company, Boston, Mass.; FRANK C. BALL, Mississippi Valley Trust Company, St. Louis, Mo.; FRANK B. DEVEREUX, National Savings & Trust Company, Washington, D. C.; R. S. HECHT, Hibernia Bank & Trust Company, New Orleans, La.; JOHN W. RUBECAMP, Corn Exchange National Bank, Chicago, Ill.

1918—S. D. BECKLEY, City National Bank, Dallas, Texas; HARRY E. HEBRANK, Union National Bank, Pittsburgh, Pa.; R. H. MACMICHAEL, Dexter Horton Trust & Savings Bank, Seattle, Wash.; R. A. NEWELL, First National Bank, San Francisco, Cal.

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Directions for Military Training Work in the American Institute of Banking

For the use of Chapter Presidents
and others in charge of such work

The plan of the Committee on Military Training of the American Institute of Banking is now completed, and is submitted to the Institute for its approval and use. The Committee has done all that can be done at the present time. The success of the plan now depends upon the rapidity and enthusiasm with which it is adopted.

Our Nation is committed to a plan of adequate defence. To make such a plan successful, intensive educational work must be done. Such work can only be done in an effective way by organizations composed of large bodies of men having a common purpose and ideal, and seeking in addition to professional advantage, the welfare and continued development, with honor, of our country.

Never has an opportunity been given bankers to do so much practical work in the advancement of a great idea necessary to the perpetuation of the Republic. It must always be remembered that apathy toward military service is the attitude of mind of a large number of men. To overcome this apathy, is the duty of every organization dealing with men. It is our hope that the American Institute of Banking may demonstrate in this public service, as efficiently as it has demonstrated in the field of banking, its ability and power to successfully consummate any policy which it adopts as its own.

Respectfully submitted,

COMMITTEE ON MILITARY TRAINING
AMERICAN INSTITUTE OF BANKING.

THE Committee on Military Training of the American Institute of Banking, after careful consideration of the nature of Institute organization, and of the type of men who would furnish material for military training schools conducted under Institute auspices, and also after advising with Major-General Leonard Wood, United States Army, and the War Department of the United States Government through the Adjutant-General, recommend to chapter presidents and others in charge of military training work in chapters, the following initial program, which it is believed can be followed with resulting benefit to individuals participating in the work, and to the upbuilding of an adequate defense in our nation:

(1) Notices should be sent to all chapter members to attend a meeting to promote military training among chapter members. The meeting should be addressed by some civilian interested in the defense movement, a man in public life preferably, and by some one connected either with the United States Army or the National Guard of the state in which the chapter is located. The meeting should be open to all members, but it must be borne in mind by those having the work in charge that a definite physical line of demarcation exists in men, and that all men over thirty-two years of age are, from a military standpoint, deficient in the physical qualities which make for a soldier. The first line of a nation's defense must be composed of men thirty-two years of age and under. The training of such men is,

therefore, a matter which must be given other consideration than that of older men. It has been recommended by United States Army officers that men under thirty-two years of age should, as far as possible, avail themselves of membership in the National Guard for their training. This may not be possible or desirable, however, and after the Institute training plan develops and the experience of various chapters is in the hands of the Committee, it may, after proper study and correlation, be necessary to make a distinction between men under thirty-two years of age and those above such age. For the present, however, all can participate in a school of the soldier.

(2) Applications should be signed by those who intend to pursue military training work, and such applications should be in substantially the following form:

AMERICAN INSTITUTE OF BANKING
Military Training School

I hereby apply for enrollment in the above school.

I am a citizen of the United States.

Born.....
 (Year) (Month) (Day)

Business Address:

Tel. No.

Home Address:

Tel. No.

Mailing Address:

Position held:

You may refer as to my character, to

(1)

(2)

Military experience, if any:

If enrolled I intend to attend the school regularly and faithfully.

.....
 Signature of Applicant.

(3) An officer of either the United States Army or the National Guard should be engaged to conduct at intervals of at least once a week a school for the soldier. This should embrace all that pertains to the school of the soldier, as defined in manuals of the United States Army. If rifle practice facilities may be obtained

through United States Army or National Guard aid, then it will be highly advantageous if sufficient rifles should be obtained for such practice. The War Department issues on application a pamphlet containing full directions and regulations for the organization and supervision of civilian rifle clubs. Under proper restrictions, as set forth by the War Department, said Department will supply or sell to such properly organized rifle clubs, army type rifles together with ammunition for use in same, for rifle practice. These regulations are very explicit and application to the Adjutant-General, Washington, should be made for copies for study and necessary distribution. The regulations are entitled "Government Civilian Rifle Clubs—National Board for Promotion of Rifle Practice in the United States—War Department—Fourth Edition, 1915," together with regulations governing the issue of rifles and ammunition to rifle clubs and application for membership in Government Rifle Club—Third Class.

(4) Plans should be early made and carefully considered whereby a certain number of members of the military training school will be chosen to go to the United States Army training camps, which are now in existence and which will most likely be established in larger numbers, and spend a prescribed amount of time in such military training camps. The bankers of the community should be advised of plans being formulated, and everything should be laid before them for approval. The bankers will be called upon to aid in financing the movement, and as the time spent in training camps usually extends over a period of a month, arrangements must be made whereby men will be allowed a leave of absence from the banks in which they are employed for that period of time. Extreme care must be exercised in the choice of men to go to the training camps, as the temptation will ever be present for men who are unfitted for this kind of work to apply for training camp experience in order that a time longer than is usually accorded may be extended to them in absence from their banks. If the military training movement is not kept on the highest, most patriotic, of planes, a great handicap to successful achievement will be met from the outset. It may be wisdom to have in every chapter an advisory committee of bankers who shall act as intermediary between chapter members and the associated banks of a city in gaining support for this movement. It is not to be expected that every banker will support the movement, but there will be a number sufficient to make it a success if it is properly directed.

(5) Secure from United States Army or National Guard authorities permission to use existing armories or other drill halls under their control, and establish quarters in such places wherever possible. If this cannot be done, be sure and secure adequate quarters, well lighted and ventilated.

(6) For purposes of proper record get the record books prescribed by the United States Army. Military training work is primarily for the benefit of the nation and proper statistics are essential. If uniforms are

acquired, get the khaki uniform used by the United States Army.

(7) Consult frequently with United States Army or National Guard officers, and do not depart from the outlined plan without first consulting the Committee on Military Training of the Institute.

(8) If Congress shall not enact at the coming session proper legislation providing for a larger number of United States Army training camps, and no such camp is established in a territory convenient to a chapter city, confer with the Adjutant-General of your state and see if arrangements cannot be made whereby under National Guard auspices actual experience in camp may be obtained.

This movement, if carried out on a sane, patriotic basis, will cause great benefit from a physical standpoint to accrue to the members who participate in it; and from a group of men, as intelligent and as capable of executive control as the average bank man, well trained men capable of becoming commissioned or non-commissioned officers of a reserve army to be utilized for the defense of the nation in time of need, should be successfully developed.

Remember always that proper records of work done are necessary not only for a proper understanding of our work by the United States Government, but also to enable the Committee on Military Training to improve the methods employed in securing effective results. Keep the Committee informed of your progress.

H. J. DREHER, Chairman, asst. cashier,
Marshall & Ilsley Bank, Milwaukee.

E. D. HULBERT, vice-pres., Merchants
Loan & Trust Co., Chicago.

JOSEPH CHAPMAN, vice-pres., North-
western National Bank, Minneapolis.

CHARLES ELLIOT WARREN, pres., Lincoln
National Bank, New York.

J. S. CURRAN, asst. cashier, Humboldt
Savings Bank, San Francisco.

W. S. EVANS, Henry & West, Phila-
delphia.

*Committee on Military Training,
American Institute of Banking.*

INDIA'S PROBLEM IN NOTE CONVERSION

Concerning the advocacy by the Royal Commission on Indian Finance and Currency of improved facilities for cash conversion, the *Indian Trade Journal* says: "The Royal Commission on Indian Finance and Currency of 1914 stated as their opinion that it is eminently desirable to encourage the use of currency notes in India by all legitimate means, and with this object in view they recommended that the Government should increase whenever and wherever possible the number of places at which notes can be cashed, as of right, as well as the extra legal facilities for encashment as is generally known. Formal consideration of the Commission's report has been postponed on account of the war, and a decision of the recommendation in favor of additional statutory facilities must therefore stand over for the present. The Government of India is, however, in full sympathy with the general aim underlying the Commission's suggestions in regard to the popularization of the paper currency system, and they have been considering for some time past what executive action can be taken in the meantime in pursuance of this aim.

"The present legal position is that holders of notes can claim cash for notes at currency offices only. They are not similarly entitled to obtain coin for their notes

when presented at a Government treasury. In practice extra legal facilities of some kind are supposed to be given at most treasuries, and a system of currency agencies instituted with the object of providing for the local encashment of notes has existed at a limited number of centers since 1871. Recent inquiries tend to show, however, that in practice the facilities have in many places been little more than nominal. While the question of developing existing facilities on practical lines was under consideration, the war broke out and the crisis which ensued tended to hasten a solution of the problem in the period of apprehension which immediately followed the outbreak of war. It was considered expedient to secure the unimpeded encashment of notes in every practicable way. General instructions were accordingly given emphasizing the importance of arranging for this in all districts and the movements of coin required to make these instructions practical and effective were freely undertaken. The Government of India now proposes as far as may be practicable to place on a permanent footing the wider facilities developed during the period of emergency as the first step in this direction, while still employing the currency chests maintained at district treasuries."

DOLLAR EXCHANGE WITH AUSTRALASIA

The announced establishment of dollar exchange with Australasia must have come as welcome news to exporters of goods to Australia and New Zealand. Direct relations have been established by a number of American financial institutions with the Bank of New Zealand. The Bank

of New Zealand is an important organization. Its capital and surplus are about \$20,000,000 and its deposits about \$90,000,000. The head office of the bank is in Wellington and branches are situated in London, Sydney, Melbourne, Fiji Islands and everywhere in New Zealand.

STUDY COURSE IN SAVINGS BANKING

LESSON 2

The Ethics of a Savings Bank*

The 1910 Centenary—Not Organized for Charity—Savings Banks for Small Savers—Foreign Depositors—Fostering Spirit of Independence—Strong Surplus Necessary—Competition—Dividends—Safety of Security—Conclusion.

By WILLIAM E. KNOX

Comptroller Bowery Savings Bank, New York

It was with a very real sense of my own shortcomings that I ventured to accept the invitation with which you have honored me, for my experience has all been gained in the service of the mutual or trustee savings banks. My knowledge of stock savings banks, such as it is, has been gained at second hand. What I have to say, therefore, while in a broad and general sense it may be applied to all savings banks, is particularly applicable to the mutual and trustee savings banks as we have them in the East. Like many other things which have found their way westward across the Atlantic, they have lingered for a while in the Eastern States; but will, I hope, eventually find their way into every part of the country where they can find communities to serve, and that, in time, will mean everywhere.

It is true that the stock savings banks are doing their duty well, and proving to be a real help in the conservation of the savings of their communities. Conscientiously managed, they are of great benefit to their constituents.

But if in the East, where we are sometimes charged with selfishness and a desire to turn everything to profit, we can find men willing to act as savings bank trustees without pecuniary reward, we are not imagining a vain thing when we cherish the hope that South and West equally unselfish men will be glad to take up the same work.

Centenary of Savings Bank, 1910

A year ago, in the city of Edinburgh in Scotland, the centenary of the establishment of savings banks was celebrated. Not only from the United Kingdom, but from all the British possessions, from many of the great nations of the Old World, and from Canada and the United States, delegates representing the savings banks assembled to do honor to the occasion. Here in the United States we, too, are rapidly approaching the completion of a century of beneficent effort in the same work.

Looking backward over the hundred years, we are impressed by the evidences we find of devoted service, of

unremitting labor, and of ceaseless vigilance, and by the final record of splendid achievement.

Our American savings banks, as they stand to-day, are a monument to the integrity and devotion of those who labored for their upbuilding.

From modest beginnings, they have grown with the growth of the nation, increasing in usefulness, until they are now among the main forces that make for prosperity.

It is not by chance that our savings banks have grown and prospered; they are the result of thought and care, of wisdom and work.

The Ethics of a Savings Bank

The dictionary defines Ethics as "The science which treats of the nature and grounds of moral obligation, and of the rules which ought to determine conduct in accordance with this obligation." In view of this definition, let us look at the motives that have actuated the savings banks, at the moral standards that they have raised in the conduct of their business, and at the essential principles that have guided them.

At the risk of repeating an oft-told tale, let us see what spirit actuated the men who started the first savings banks. One of the earliest of them proposed "an institution for the benefit of the wage-worker who might deposit his savings and withdraw them again, in part or in whole, as he might require, with interest according to the time they had been on deposit"; and this institution was designed to take the place of almsgiving.

Another was started with the avowed purpose of being "for the special benefit of the more dependent of the industrial classes, for the collection and increase of their small savings." And another, "that persons of small means should have the opportunity, which had before been wanting, to place the small savings which they were able to lay by, where they may draw interest without danger of loss."

The founders of the oldest savings bank in New York, The Bank for Savings, stated it as being their object "to assist the laboring poor to preserve a portion of their earnings for old age, and to give them provident habits, and by promoting among them a spirit of independence, economy and industry."

Not Organized for Charity

We see then that all these plans were meant for the encouragement of thrift, and were calculated to help the poor to *help themselves*. In every case the need was recognized of a *secure* depository for the savings of those who were willing to save. The way to encourage thrift

*From address delivered at the New Orleans Convention, American Bankers Association, 1911.

was to hold out the certainty that the results of thrift and self-denial would be safely held against the time of need. And this security was to be offered to those least able to take care of their own savings.

It was evident to men of broad mind and philanthropic views that there was a real need for institutions of some kind to care for the savings of the poor, and it opened up an opportunity for service of a new kind.

Given the opportunity, men were not wanting in the early days (nor are they wanting now) who were willing to give their services, without any hope of reward other than the knowledge that they had been able to help their less fortunate neighbors in an effort to better themselves.

As we look back over the records of our savings banks we are more and more impressed with the fact that they have won their place in the confidence and respect of the public principally because their trustees have been, and are, men who have themselves not only won but deserved the confidence and respect of their communities. Your savings bank trustee is your true altruist. He is actuated by a desire to serve his community in a practical way, and to the conduct of the business of the bank he brings the equipment of brains and energy that has given him his personal success. He gives to his duties as a trustee the same zeal and diligence that he bestows on his private affairs, being, if anything, more particular in matters affecting the savings bank than in his own. He carries with him into his work a sense of stewardship, a realization of his moral obligation, a knowledge that his neighbors and associates in the community have entrusted to his keeping, not only their savings, but their hopes for the future. With such a sense of his obligation strong upon him, is it any wonder that he is jealous of the good name of his bank that he uses every means to foster its interests, that he labors always with the welfare of the depositor, and that only, in view?

Savings Banks for Small Savers

In their beginnings savings banks were merely voluntary associations of public-spirited and philanthropically inclined persons. The scope of their operations was limited; but through their agency much good was accomplished, and best of all, a definite start was made.

We learn as a fundamental principle, if we follow the tradition of the savings banks, that we are bound to foster the small depositor. It was for him that the savings bank was created, and it is to his service that it should be devoted. The man whose earning power is but little above the requirements for bare necessities is he to whom every encouragement should be given.

The hopeful thing about the small depositor is his spirit of self-reliance, his willingness to deny himself in the present in order to make the future more secure for himself and his dependents. It is no easy matter for the average savings bank depositor to save. Every dollar is the result of stern self-denial. If it be earned by the sweat of his brow there is a considerable amount of perspiration superinduced in the effort to keep it. Many

a time it is harder to keep than to get. The day when the slow accumulation of dollars will amount to a respectable sum seems far off, the calls for spending are apt to be clamorous, and yet for most wage-earners a little at a time, and that steadily, is the only way in which to save.

Old-Age Pensions

We see to-day Great Britain and Germany driven to the experiment of old-age pensions. It is to be hoped that the remedy may not be worse than the disease, for it certainly would seem that the result must be the encouragement of shiftlessness and an added burden on the thrifty.

If every worker could be induced to save what he now wastes or dissipates there would be small need for old-age pensions.

With every dollar that the depositor saves he strengthens the barrier between himself and possible want in times when work is not to be found. With every increase in his little fund he adds to his self-respect. And the day comes when he is able to breathe a little more freely, as he faces the future, when he can afford to make a venture perhaps in an untried field that holds out larger opportunity. Without his savings to rely on the venture would be impossible and the opportunity lost, but with them to help a new day dawns, bright with hope.

It is interesting, especially in our Eastern cities, to watch the depositors that flock to our savings banks. In addition to the American workingman and woman, every quarter of the globe sends some addition to the cosmopolitan crowd that goes to make up the depositors.

Many Foreign Depositors

They come from Canada on the north, and from the Central and South American republics. Not only the great nations of Europe, but every petty principality as well, is represented. Asia and Africa send their quota. American missionaries serving in Syria and China send their little savings home to be cared for. How they do it out of the salaries they sometimes get is a mystery. It is not the get-rich-quick spirit that impels them to their work, of that I am certain.

If all our depositors should talk at once, each man in his own tongue, the confusion of speech at the Tower of Babel would be faithfully portrayed. But however they may differ in their origin and speech, from whatever race they spring, they have one common motive in this land of ours, and that is the pursuit and capture of the elusive American dollar. And in the aggregate they manage to overhaul and lay hands upon a good many of them.

The foreigner who deposits his money in a savings bank becomes, as his deposit grows, more and more interested in our institutions. He learns that it is his money that is building schools and bridges, docks and streets, houses and water works, and so he comes to take an intelligent interest in public affairs. He comes to look upon the savings bank as a place where he may go for advice and counsel.

Fostering Spirit of Independence

The savings banks are not only doing a beneficent work in inculcating habits of thrift, in gathering and conserving wealth which might otherwise be wasted, or else lie unproductive, and in furnishing capital for many legitimate business enterprises; but, especially in our larger Eastern cities, with their great influx of alien peoples, they are keeping step with the churches and the public schools in helping to make good citizens of those who seek our shores as immigrants.

The fostering of this spirit of independence and self-reliance in its depositors is one of the fine things that our savings banks are doing. The feeling that our depositors are being helped to look with more hope and certainty into the future, and that the haunting shadow of poverty is being banished, is no mean reward for our effort.

Would-be Savers

While the small depositor should in every way be encouraged, there is a class of would-be depositors who should not be welcome. These are they who would make of the savings bank a temporary convenience for the deposit of large sums, attracted by the high rate of interest, and who usually withdraw their deposits in times of financial uneasiness for the purpose of buying securities that are selling cheap. The savings bank was not created for the convenience of these, who properly belong to the investor class. While the savings banks are willing to serve those who need their help, it is not fair to them to burden them with the task of making investments for those who are quite capable of making their own investments. Nor should any savings bank permit accounts of the "in-and-out" variety. Depositors who withdraw their money in dribbles to make payment of small household items only add to the expense of conducting the bank, and interfere with the comfort with which legitimate savings bank depositors should be enabled to conduct their transactions.

Strong Surplus Necessary

To insure at all times and under all circumstances the absolute safety of the savings bank, the accumulation of an adequate surplus is a matter of vital importance.

If it is the duty of the wage-earner to save out of his earnings, when he is prosperous, for the security of his family, it is equally the duty of a savings bank to save out of its earnings, and to do so religiously until it has accumulated a surplus sufficient to protect its big family of depositors against any possible loss.

During the past decade we have seen a tremendous growth in savings bank deposits, accompanied at the same time by a steady decline in the market value of even the best securities, so that to-day the percentage of surplus to deposits is much smaller than it has been. If we could be sure that the securities we hold would soon advance in value, we might not pay much attention to the matter. But we are neither prophets, nor the sons of prophets, and cannot see into the future.

There is but one way in which to strengthen our surplus, in the face of growing deposits and diminishing values, and that is, to live well within our income.

The surplus of a savings bank is a matter of slow, and ought to be a matter of *steady* growth, until such time as it is adequate.

Competition

One of the reasons for the decrease in the strength of the surplus is undoubtedly the competition for deposits which unfortunately has arisen among many of the banks. It is quite natural in any business conducted for profit that one should keep a keen eye on his rival. It is not only natural but laudable that one should have the ambition to do as well as his neighbor, but there should be a desire to build up a business that by its bigness may command respect.

But among savings banks there should be no such competition. It is foreign to the spirit of the savings banks that there should be any spirit of rivalry among them. A spirit of emulation in every effective service we can render to our communities we may honorably cherish; but the savings banks should not, for the mere sake of size, swerve one hair's breadth from the most conservative line of action. We are all engaged in a good work, which ought to be done in a spirit of philanthropy, and it should be a matter for rejoicing and congratulation when a sister institution does its work well and is enabled to extend its beneficent services to a larger number of depositors.

Dividends

It is impossible to touch upon the subject of the savings bank surplus without being led to a consideration of dividends.

It is not *always* the bank that pays the largest dividends that is the best bank. It is easy enough to conceive of a bank that might pay dividends almost up to the limit of its earning capacity, so gaining the approval of the unthinking depositor. The deposits in such a bank would grow, but its growth in deposits would be out of all proportion to the growth of its surplus. In such a case as this it almost inevitably follows that the desire to increase the income of the bank leads to laxity in the making of investments. The question, How much will it pay? is apt to take the place of the question, How safe is it? In the time of stress, when the pinch comes, there is little or no surplus to fall back upon, the investments that looked so attractive, viewed from the standpoint of income alone, are found wanting, and the last condition of that bank is sure to be worse than the first.

No effort to increase the income of a savings bank by making mortgage loans upon inadequate security, or by the purchase of questionable securities returning a high rate of interest, is ever justifiable.

The laws of many of our States have imposed upon the savings banks wise restrictions as to investments, and the best of our banks have gained the confidence of the public by conservative interpretation of even these rigid laws.

Safety of Securities

The savings bank does and should offer safety with small interest return as distinguished from less security and a larger return. It is not organized as a business enterprise, nor should it engage in any form of speculation or money-making in a business sense. And yet it is not, as some have miscalled it, an eleemosynary institution. It is a philanthropic, or benevolent, *not* a charitable institution. Each depositor bears his share of the necessary expenses of the bank, and the trustees no more consider their work charitable than is the work of citizens who, for example, serve on school boards.

Every trustee, every officer, every employee of the savings bank not only realizes that he has a great aggregation of wealth in his keeping, but he has ever before him a picture of the thousands upon thousands of depositors, the mechanic at his bench, the clerk at his desk, the laborer with his pick and shovel, the sewing girl bending over her machine, and with them the army of dependents, the old and the sick and the widow and the little children.

Conclusion

Once upon a time St. Paul considered it not beneath him to boast that he was a citizen of no mean city, and we may be pardoned if we boast a little (it may be

modestly) that we are engaged in no mean business. For if there is anywhere a service which calls for the employment of the best that there is in a man, the best of head and heart and hand, with the least of selfishness, that service is the service, whether as trustee, officer or employee, of the savings bank. And the reward for that service is not wholly paid in salaries. Much of it comes in the form of grateful recognition on the part of those benefited. I like to think of savings banks, not in terms of dollars and cents, but in terms of widows and orphans cared for, in terms of poor and helpless people helped and guided. I like to think (and it raises one's opinion of men in general to think) that our active business men, engrossed as they are in their own affairs, with the many demands upon their time, can yet find time to give of their thought and endeavor for the service of the public. Our savings banks have won the confidence and esteem of their depositors, because the depositors in them realize that they are actuated by no selfish motives, but are acting solely in the interest of the people.

For a hundred years they have done their work well and wisely. They have held high the standards of integrity and conservatism, they have shown no trace of selfishness or self-seeking in their work, they have won and will keep the respect, the confidence and the esteem of the people whom they serve.

CLEAR AND FORCEFUL ENGLISH

The following communication is reproduced from the *New York World*, not on account of its political character, but as an example of clear and forceful expression that Institute students of English may analyze to their personal advantage:

"Though I purpose voting for Woman Suffrage Nov. 2d, it will require all my resolution after listening to a speech on upper Broadway, where Suffragists hold forth every evening. The spectacle of a shrew on a soap-box vilifying all men and accusing them of being to blame for every ulcer on our body politic, from saloons to child labor, all of which women would at once remedy when they have the ballot, is most distress-

ing to those of us who believe that the other sex should be allowed to vote. I was converted to Woman Suffrage by a different kind of woman—a woman who is distinctly feminine; one who is bringing up two children admirably, who loves pretty clothes and happy times and a nice home; a regular woman, who hasn't any time for soap-box oratory but who spoke to me so intelligently about how the women could aid the men in working out proper reforms eventually that I am with her with my ballot every time in her modest request for a vote.

"The women can't get the vote except from the men. Let them now learn their first lesson in politics by soft-soaping us and not by soap-boxing us."

STUDIES IN ENGLISH

ENGLISH RHETORIC—A text-book—clear, forceful and magnetic—on correspondence, speechmaking and writing for publication.

ENGLISH GRAMMAR—A text-book—without dry rules or barren definitions—on the formation of words and the relationship of words in sentences.

The foregoing books are supplied by the Correspondence Chapter of the American Institute of Banking, Five Nassau Street, New York City. Price fifty cents.

Educators who are so anxious to make learning easy should not forget that the harder a nail drives the better it holds.—*Youth's Companion*.



Dollar Credits, Acceptances and Their Relation to the Open Discount Market

Reason Why Sterling Credits Have Been Preferred to Dollars—Possibilities for Developing Dollar Exchange and Acceptances—Shall America Demand Payment in Gold or Accept Credit—Payment by Means of Acceptances and Prime Bank Acceptances—Forms of Credit Available and Rulings of Federal Reserve Board With Relation to Acceptances—Open Discount Market—Address Before Philadelphia Chapter.

By JASON A. NEILSON

Manager Foreign Exchange Department, Brown Brothers & Co., New York

FOR the benefit of those who are quite unfamiliar with the ordinary commercial credit acceptance business, perhaps it would be interesting to give in some detail particulars of the ordinary import credit business, which, by the way, has been conducted on a large scale by at least one of our banking houses for about a century. This may perhaps throw some light upon the business that is to be done here in dollars.

The Course of Bank Acceptances

An American merchant, whom we will call Jones, needs crude rubber for the manufacture of auto tires. The manufacturing process, marketing, etc., take at least two months. By that time Jones will be in a position to pay for the rubber. Jones knows he can get the rubber he needs from Smith of Para, Brazil, but Smith will not ship to Jones on the latter's promise to pay at the end of sixty or ninety days. Smith knows Jones to be honest and doing a good business, but Smith is located too far away to keep in close touch with conditions in the United States, so instead of taking Jones' promise to pay in ninety days, which is the usance in Para (practically every country has its usance governing the terms of sale), Smith informs Jones that he will sell only against the promise of a bank or banking house to pay at the specified tenor. Jones thereupon applies to his bankers for a commercial letter of credit in favor of Smith and his credit being good locally, it is granted. The letter of credit, if drawn in sterling, is a document addressed to Smith, authorizing him to draw his ninety days' drafts on the London agents of the issuing banker, and promising that such drafts will meet with due acceptance and honor, if certain terms are complied with. These terms cover the amount which may be drawn, a time limit to shipments, the port to which shipment must be made, and particulars as to where marine insurance will be effected. Particulars as to the payment of freight and occasionally other special terms are also incorporated in the credit. With this document in his possession Smith goes to any bank in Para and sells this draft, not on the strength of his own name or reputation, but on the strength of

the issuer of the credit, and the London agent who will accept the draft if negotiated in the terms of the credit and will pay it at maturity, even though Jones, who receives the merchandise here in New York, fails before the maturity of the draft and is unable to reimburse the issuer of the credit for all or perhaps any of the amounts of the acceptance.

The bank in Para to which Smith finally sells his draft pays him in local currency at the rate at which they are then buying gold drafts on London. Of course, Smith has figured on the probable exchange rate when quoting the price for his merchandise, and having received the proceeds of the sale of his draft, as far as he is concerned the transaction is complete. The negotiating bank forwards the draft and documents to its London agents or house and the draft is presented for acceptance by them to the bank or banker on which it is drawn. The documents being in order the draft is accepted and the documents delivered against such acceptance. The draft may then be discounted by the agents of the Para bank or held in portfolio, according to the needs or wishes of the holders. The documents are forwarded by the accepting bank accompanied by a notice of the amount of the draft accepted, and the maturity date, to their American friends who issued the credit, and who hand the documents to Jones against a trust receipt or as may be agreed. Jones thus obtains possession of the goods and the entire transaction is completed until it is time for him to pay. This he does in America about ten or twelve days before the London maturity date, in order to allow time to send exchange to London to meet the acceptance.

Now what has the commercial credit accomplished? The shipper was paid immediately upon shipment; the buyer obtained delivery of the merchandise promptly on its arrival and had time to manufacture, market and realize on it before he was called upon to make payment for it. And all this was done on banker's credit.

Establishing Foreign Credits

Why has this business been handled heretofore through the medium of London or sterling credits? If you visit places like Auckland, New Zealand or Calcutta, India, or Cape Town, S. A., or Hong Kong, China, you will find either a local bank with an established branch in London or the local branch of a bank whose head office is in London, all in constant cable communication with their London friends. If there is no branch bank, at least there are dealers in sterling and active buying and selling is going on continually. To those few who have had no experience in credit or exchange this may not seem of importance, but it is.

Suppose you bought 10,000 yards of burlap from a Calcutta house some time prior to the war. The sellers

would have demanded a London credit in payment, the tenor probably being four months, sight, because the sellers had gone to one of the English banks in Calcutta and had been informed of the discount rate in London for four months' drafts and of the rate of exchange of Indian rupees for English sterling. On these two rates the sellers based their quotations when offering to sell their merchandise. Their quotation was in sterling and a sterling credit was the method of payment demanded because they knew exactly what they would get in rupees for the pound sterling at four months' sight.

You do not ask why they could not go to a bank and ascertain the discount rate for four-month bills in New York and the rate of exchange of Indian rupees for United States dollars; because we all know that until recently there has been no discount market with firm quotations for bank acceptances in New York, and, of course, without this there could be no exchange quotations. Who, in Calcutta, could afford to buy a four-month draft on New York without having any idea as to what the proceeds would be. So, you see, to finance any part of the world's trade we must have an open discount market and to have such a market we must have Prime Bankers' acceptances to discount.

Dollar Credits and Acceptances

The dollar commercial credit will furnish the bulk of the acceptances which in turn will feed our discount market. Of course, we do not expect that in normal times we will purchase cotton goods from a manufacturer in England and pay him by means of a dollar credit; but it is certainly unnecessary at the present time to pay an exporter in Buenos Ayres by means of a sterling credit. The banks in Buenos Ayres are now prepared to quote in local currency for United States dollars, and why subject an American buyer to the heavy risk of the sterling exchanges?

A shipper in any part of the world is only interested in the net proceeds of his draft in his local currency and whether the negotiating bank tells him to draw a draft on London for one thousand pounds or on New York for forty-six hundred and fifty dollars is of but little interest to him so long as he receives a check for the amount of his invoice in local currency. If, then, we make the acceptance market here a success, and if we trade freely and grant credits to the world for its proper uses, banks the world over will be in a position to quote for dollars on a parity with any other currency and New York will take her place among the financial centers of the world.

The previous remarks have referred to the individual merchant's imports, but the acceptance powers can also be made to apply to his exports to South America, Europe or anywhere else. A few banks, trust companies and private banking houses have been financing exports this way both before and since the war.

While undoubtedly it should be the patriotic aim of American financiers to transfer the center of exchanges from London to New York, unless the war turns out to be more disastrous economically than would appear to

be possible at present, this end will not soon be accomplished in the face of the development extending over more than a century, which has made London the center of the exchanges. England entered the field of international exchange, as she did the field of machine production, at a time when it was almost unoccupied. Her manufacturers and bankers made "trade follow the flag" because their capital went with it; while her firm adherence to the gold standard, and the maintenance of a free market for gold, gave to the bill drawn in pounds sterling an empire nearly universal. It became, in fact, a world currency.

However, the war abroad has placed before our country an opportunity for at least temporary financial and commercial leadership, and if this opportunity is properly handled now, after the war ends we may be able to retain a fair proportion of the financial business taken up under these abnormal conditions. If the war should be so disastrous in its effects as to result in Europe's foremost financial powers permanently losing their position as bankers for the world, and if because of that fact the United States becomes the leading creditor nation, the boundaries of the field which lies open to us are far flung.

The Effect of the Federal Reserve Act

Such a state of affairs, however, seems improbable. The long considered revision of our financial system has finally resulted in our Federal Reserve Act with its possibilities for financing foreign trade. This has taken place at the psychological moment. The usual international markets for credits have been compelled by the war to use their capital for other purposes. London has heretofore furnished the United States with most of the international credit necessary for the proper conduct of our international trade. Someone must take up this work. Apparently we must do it for ourselves and our customers. In other words, the United States must now do what Europe has done for many generations for the United States; the bank facilities of the United States must be used for carrying our own imports and our exports. Europe up to now has carried the export and import transactions of the United States by means of its acceptances and its open discount market, and it would appear that we can find no better method of financing than by such a method here. If we co-operate and use our powers along lines that have been well tried out, not only will we place our long-desired open discount market on a firm basis for the future, but we will open up for our country a way whereby our gold stock may be protected in time of need, and I verily believe it will materially help to keep our citizens at work and prosperous after the war is over.

United States to be a Lender Nation

The fact is that whether we like it or not we have entered the financial field of the world, and for the present at least we must take up part of the burden heretofore borne by London, Paris and Berlin, in financing the international trade that touches our nation. We shall henceforth be compelled to be lenders. We

cannot sell where we do not buy. Trade must be reciprocal. Our old customers are not in a position to pay at once in goods for the goods we give them. They can, of course, pay for quite a lot with their gold. With gold galore in our possession we can expand and expand. A great inflation of prices could take place on the basis of Europe's gold in our hands. In such a case, at the end of the war, Europe would find this the best market in which to sell. Europe would need her gold and some of ours. Under stress of great necessity Europe would work her shops twenty-four hours a day; would produce goods to the limit of her power and flood this high-priced market with them. That would take our gold away and down would come prices, possibly causing panic here. If we were able to refuse to buy Europe's goods then we would have to stop selling to Europe. She would then sell to others to whom we had hoped to sell; nobody would buy our high-priced goods. If, however, we are wise, and build up a credit in Europe now, we shall in a large measure modify the dangerous position we must face after the war. For example, there is a great surplus of wheat in America this year. Here is a chance to give them our wheat at a high exchange value and take from them something which will earn good interest for us and provide us with a means whereby we shall be able later on to pay our debts in foreign countries if they flood us with merchandise, etc., after the war. That is, if we sell them goods on credit now, we shall not only have accumulated a set-off against their present investments, in land, houses, business partnerships, etc., in the United States, but we shall have power to protect our gold stock as far as may be necessary when occasion arises. It would appear, then, that for our own protection it is of vital importance that we keep open as wide as possible all channels enabling us to freely sell our grain, cotton and manufactured products abroad.

Should Take Advantage of Opportunity

Apparently the only way to achieve the result we all must desire is to create credits in the United States, in favor of our foreign customers. If we do not provide these credits in some form out of our immense available resources our foreign customers will be forced to curtail their purchases and our farmers, workmen, clerks, and business generally, will have less favorable conditions than those we possess at present. It is quite clear that we have a personal and selfish interest in the matter of building up the purchasing power of all our foreign customers by giving them such credit as their standing warrants, and our position permits. Of course, the question of the credit and standing of the borrower is as important in this case as it is in any loan, and a short analysis of the position of the two leading borrowers would not be out of place.

The wealth of the British people in 1914 was estimated at \$85,000,000,000. The present British debt represents less than twelve per cent. of the estimated present wealth of the British people whereas the national debt in 1816 amounted to thirty-six per cent. of their estimated wealth at that time. Interest in 1816

consumed eleven per cent. of their income while in 1914 it consumed but three-quarters of one per cent. On the basis quoted Great Britain could support a national debt of \$40,000,000,000 at five per cent. with no greater burden on the people than was successfully carried a century ago.

The estimated income of the British people from foreign and colonial investments is about thirty-six times the interest charge on the \$500,000,000 they recently borrowed in America, and this is the only external loan of Great Britain.

The wealth of the French people in 1914 was estimated at \$50,000,000,000. Interest on the recent half billion dollar loan here equals slightly more than one-third of one per cent. of the total annual income of the French people in 1914. The ability of the French people to pay, was strikingly shown by the payment of \$1,000,000,000 indemnity to Germany within three years following 1870-1871 and the investment of large sums abroad within a few years thereafter. It is estimated that the amount of French capital invested abroad is \$10,000,000,000, a large part having been used in the development of railroads and other enterprises in the United States.

Recent Franco-British Loan Secure

It will be seen that the interest charge of the two peoples on the recent half billion dollar loan equals approximately one-eighth of one per cent. of the combined annual income of the two peoples and that any good credit man would agree that the statements of position are good and that credit may be freely granted. If it is agreed that the standing of the borrower warrants a line of credit, and that we desire to sell our goods abroad in order to keep our country prosperous and to have a set-off against the adjustment of conditions after the war, then it would seem that we should do all we can to help finance foreign buyers' purchases of our goods at this time. Some will say that trade will go on somehow even if we do not grant credit. They say that foreign nations must have our goods. This is only half a truth. Modern civilization under normal conditions is extremely wasteful. If you force our customers to do so they can find a way to curtail their purchases materially. They can find substitutes in their own countries for many of our commodities. For example, potatoes for flour, vegetables for meat, etc. There is a point that we cannot pass without causing our customers to do without, or find substitutes. That point would seem to be near with the exchanges in such a condition that within the past few weeks exchange on New York in London has been at a premium above par of about three and one-quarter per cent.; in Paris about fifteen per cent.; Berlin fourteen and three-quarter per cent.; Italy twenty-two per cent.; Austria twenty-seven per cent.; and Russia thirty-five per cent. Until the war is over it is undoubtedly a fact that Europe cannot ship to us sufficient American securities or goods to match their purchases here, and it is certain that a one-sided trade cannot go on forever, and that our customers will not be encouraged to buy unless the price they have to pay

is attractive. Credit given by us will help this situation by keeping the price they pay for exchange on a reasonable level.

The Anglo-French five year loan and the Italian loan is one form of credit and covers the investment field. There are numerous other forms of credit, which have been used, such as granting loans to foreigners against collateral or loans on clean paper. These have created paper commonly known as finance paper.

Acceptances

There is yet another form of credit comparatively unknown to American bankers of the present day, most of whom have been so busy serving local business heretofore that they have had little time to become familiar with it. This method is the "Acceptance" system which is used extensively abroad to finance the foreign trade of the United States and all other nations. The Federal Reserve Act contemplates a wider use of this kind of credit. The disposition of the Federal Reserve Board to encourage the use of acceptance, even in domestic trade, is shown by the fact that they have authorized a preferential rate on trade acceptances. Trade acceptances are defined as drafts drawn by sellers upon the purchasers and accepted by the purchasers, and these drafts are intended to represent actual commercial transactions, with definite date of payment. There are two signatures and renewal is not anticipated; therefore a lower rate of interest is given. This is a most desirable class of paper for the Reserve Bank as well as for the member bank, and deserves a lower rate than the ordinary single-name commercial paper representing a line of credit, however good the rating of the maker may be.

Acceptances and the Federal Reserve Act

The giving of a preferential rate for trade acceptances is one of the most forcible steps that the reserve board has taken in favor of a change of our business methods between buyer and seller. The present method of open account for a period of sixty or ninety days renders unavailable the best basis of credit, while such accounts converted into accepted drafts give a proper basis of credit and the best kind of assurance and evidence that the paper offered represents a genuine commercial transaction and is therefore available for rediscount in the Federal Reserve Bank.

Prime Bank Acceptances

Outside of this class of acceptances and, in fact, in quite a different class, are the "Prime Bank Acceptances." These offer an exceptionally high-class method of financing our foreign trade. The bank acceptance is a draft drawn upon a bank at say ninety ds/st and accepted by the bank. This, in effect, is a certification by the bank that irrespective of what may happen to the drawer in the interim, the bank will pay the draft at maturity. There are specific advantages connected with this, the prime paper in America. It can be discounted at any place and at any time because the banks in general always have need for prime paper to build up a good second line of reserves, and such paper is always taken at the

lowest rate of discount. By means of a bankers acceptance the burden of financing a three months' settlement is carried by a broad open market instead of the single importer or exporter. The acceptance business is also an attractive source of profit to the accepting banker because it does not decrease his actual working capital and brings steady net profits with the greatest possible safety. The banking community also have an opportunity to make use of their surplus cash reserves because such paper is usually considered as liquid as funds due from banks.

Commercial Export Credit "A"

The war has brought about some new departures and perhaps one of the most interesting in the acceptance line was "Commercial Export Credit A," the managers of which gave out the following announcement last August:

"Arrangements for a \$20,000,000 French commercial export credit, which have been under negotiation for over a month, have been completed and the credit issued. The purpose of the credit is to enable American exporters to be paid in dollars in the United States, eliminating any risk of exchange and thus facilitating our exports. It will also enable French buyers of American merchandise and other commodities, who have found it difficult, owing to extraordinary conditions now prevailing, to obtain exchange with which to settle their accounts with American merchants.

The credit is for a period of one year and is to be availed of by drafts at ninety ds/st. Care has been taken to comply with the requirements of our banking laws relating to commercial acceptances. In addition to the responsibility of the French drawers of the bills, the credit is secured by the guarantee of the Bank of France of payment at maturity in gold, if necessary. Collateral is also deposited in New York as additional protection of the credit.

As the drafts come forward and are discounted, in the open market, an opportunity will be offered for the first time to American institutions and inventors of buying commercial paper drawn by firms and institutions of the highest character in Europe on correspondingly strong firms and institutions in this country, which should discount at the finest rates. The appearance of such paper should go far toward creating a genuine open discount market, without which this country cannot expect to continue to play its part in the financing of our foreign trade.

Forms of Credit Available

In the fall of 1914 we arranged to postpone the day for fixing a rate of exchange for our importers in order that they might not be called upon to pay the high rates then prevailing, and it is probable that our French friends are doing likewise and are granting credits based upon the above arrangements and making special contracts with their merchants, postponing the day of final settlement of the rate of exchange until the rates are more favorable. In this way the French merchant is probably able to buy from us to the extent of the credit, in

spite of the prohibitive exchange rates. Under this form of credit the merchant merely presents his documents to the banker here and gets his money. All questions of exchange and credit are settled by the French and the American bankers. It would appear that this special form of export credit offers by far the most excellent way for financing current export trade, and it should receive the hearty support of all American bankers and merchants. Of course, it limits the time of final settlement to one year, but this would seem to be sufficient. The greatest need of the moment seems to be for such export credits. We have various other forms of credits available, which may be used by our customers abroad, but before outlining them in some detail it is well to set out the regulations of the Federal Reserve Board with regard to acceptances.

1. A banker's acceptance must be drawn by a purchaser or seller or other person, firm, company or corporation directly connected with the importation or exportation of the goods involved in the transaction in which the acceptance originated, or by a "banker." The bill must not be renewed after the goods have been surrendered to the purchaser or consignee, except for such reasonable period as may have been agreed upon at the time of the opening of the credit as a condition incidental to the importation or exportation involved, provided that the bill must not contain or be subject to any condition whereby the holder thereof is obliged to renew the same at maturity. Such bills are commercial acceptances and "eligible" for discount at Federal Reserve Banks. National banks may accept up to fifty per cent. of capital and surplus, and, by permission of the Federal Reserve Board, on recommendation of the Federal Reserve Bank, up to one hundred per cent. The ten per cent. limitation to any one person, corporation, etc., does not apply to acceptances, but does apply to debts arising under letters of credit if the obligor fails to reimburse the bank when the acceptance matures.

As to State Banks and Trust Companies:

2. The laws of various states differ as to the limitation of the accepting power of state institutions, and no general rule can be laid down to cover them. Generally, however, if a state institution has "qualified" with the Federal Reserve Bank, and its acceptances conform to the conditions of paragraph (1), they are commercial acceptances and "eligible" for rediscount at Federal Reserve Banks.

3. Private bankers are not restricted as to the amount of their acceptances or the amount accepted for any one person, corporation, etc., but their bills are not "eligible" for direct discount with the Federal Reserve Bank.

(A) Unless they are based on commercial transactions involving imports and exports as in paragraph (1).

(B) Unless the private banker has "qualified" with the Federal Reserve Bank (qualification necessitates the filing of a statement with the Federal Reserve Bank in a form approved by the Federal Reserve Board). Non-eligibility of private banker's commercial acceptances does not, in itself, militate against their marketability.

4. All commercial acceptances, whether "eligible" or not, are rediscountable with the Federal Reserve Bank when endorsed by a member bank, subject to the restrictions of the Act, with regard to the amount discountable by the Federal Reserve Bank for any one person or institution, etc.

5. National banks cannot accept finance bills. (A finance bill is a bill drawn to finance securities or for other purposes.) National banks may accept bills that are "secured" (by securities or otherwise), but the proceeds must be definitely used in foreign commerce.

6. State institutions in some of the states, and all private bankers, can accept finance bills, but no finance bills are "eligible" for rediscount at the Federal Reserve Bank.

In these days of confusion it is difficult to ascertain the present standing of worthy European merchants, and it is therefore more satisfactory that their purchases here should be financed by means of arrangements made for dollar credits here by the bankers in their own country.

Dollar Acceptance Credits

The following are the different forms of dollar acceptance credits that may be availed of by foreign banks and bankers:

First: Ordinary dollar export or import commercial credits issued by a foreign bank on account of its customers in favor of American merchants and manufacturers; drafts to be drawn from thirty days to six months on American banks, trust companies, or bankers, without renewals; credits to be confirmed or not, according to circumstances. Such credits as these could be arranged privately between banks or through an intermediary.

Second: Same form of commercial credit, but the amount of which is too large for acceptance by any one American institution. Therefore to be arranged in syndicate form on various drawees, with renewal drafts or not, according to the period specified in the credit, but not exceeding one year; credits to be confirmed or not, according to circumstances.

Third: Finance credits, for steadying the exchange market, under which a syndicate of foreign banks would draw ninety days drafts on a syndicate of American private bankers, trust companies and state banks (not on national banks) under a revolving credit running for one year. Drafts will not be "eligible" with Federal Reserve Banks because purely finance bills.

Fourth: Commercial credit running for one year to be availed of by ninety-day sight drafts, with three renewals, on principle of French Commercial Export Credit A, heretofore mentioned.

On the whole, it appears that the last mentioned method is the best under the conditions. It would be necessary under such a plan to make arrangements for a syndicate or group of foreign banks and accepting houses of standing abroad who will draw on America in dollars. On the other hand, a syndicate of banks, trust companies and bankers in New York, Philadelphia, Boston, St. Louis, Chicago, New Orleans, San Francisco and

elsewhere whose acceptances will be readily discountable would be organized in the United States. The financial institutions of your city would be asked to participate and to the extent that they agreed to do so they would promote trade by facilitating our exports and thus benefit their city and the country at large. After this high class paper has been created we are confronted with the problem of the open discount market referred to previously, and this matter deserves careful consideration.

The Open Discount Market

The Federal Reserve Banks are bound to be an important factor in the open discount market. They will buy "eligible" bankers acceptances there without a member bank's endorsement.

Only through a long process of development both among the old and the Federal Reserve Banks will it be possible to establish a market for bankers' acceptances approaching in flexibility the markets which have grown up by a process of natural evolution in London, Paris, Berlin and Hamburg. The existence of a strong, wide, open bill market is the best channel for the temporary employment of banking resources, and the best protection against overtrading and against a foreign demand for gold. There should be fewer book accounts for foreign sales and more acceptances in dollars by bankers. A start has already been made and you will now find discount quotations for prime bankers' acceptances in the daily press together with all other financial news. But, while this discount market is being established, a short-sighted policy on the part of any of us is going to make it doubly hard to make such a market a success. I have in mind the fact that the earning power of money on call in New York is now half of one per cent. below the quotations for the common ninety-day bank acceptance. So that when someone to whom we have given the privilege of drawing on us presents his draft and after receiving it back from us accepted, casually remarks, "Where had I better go to discount this?" don't say, "I'll be glad to discount it for you," but send him to some other banker. Of course, by discounting it yourself you may make the difference between the value of money and the rate at which you do the discounting, but only by forgetting our selfish interests and acting for the common good can we soonest attain the desired end. And then you know if you send all your acceptances out into the open market, the other fellow will do the same and there will eventually be enough for all of us to handle.

You can readily see that if every bank takes up its own paper there is no chance whatever for the establishment of an open discount market here so long as such a practice continues.

On the other hand, suppose a bank has its own paper in its portfolio and suppose money becomes scarce and it wishes to realize on the bills. At such a time the only thing that could be done with them would be to arrange for rediscount by the Federal Reserve Bank and a bank would adopt such a course with reluctance. If, however, their bills had been assimilated in the open

market and they had other banks' acceptances in their portfolio, no such condition would be faced. At a time of pressure it is also possible that the remark might be made concerning a bank realizing on its own paper that it must be in need of money. Banks do not like this to be said of them. Here again, if a bank has the paper of other banks in its portfolio, and if its paper is in the portfolios of other banks, no such remark could be made.

The Standard Form of Paper

In the established open discount markets of the world the prime bankers' acceptance is the standard form of paper and both on this account and because of its acknowledged liquidity universally commands a preferential rate. By reason of its being so readily marketable it is widely regarded as the most desirable paper in the second line of reserves of banks. It should help provide an effective substitute for the "Call Loan." Its growth after the war, however, will depend upon the ability of the American market to adjust its rates effectively to those prevailing in other markets of the world for paper of this class. It would appear that war conditions have temporarily created the cheapest money market in America, and the present would seem to be a good time to introduce the dollar acceptance in the hope that wherever it really has a natural field of its own, if introduced now, it may remain in use after the war is over. There are bill brokers in New York already dealing actively in bankers' acceptances. They buy or discount, and sell, or rediscount time dollar bills on bankers. They buy, for example, \$1,000,000 worth of bankers' acceptances at say two three-eighth per cent. If they think that the rates are likely to fall they will borrow on the bills at a bank and hold them. If they think the rates will rise they endeavor to sell at say two five-sixteenths per cent. or two one-quarter per cent., thus making a profit of one-sixteenth per cent. or one-eighth per cent. per annum. Of course, the open market items are still comparatively small and by no means comparable to the London market which in normal times employs about two one-quarter billion dollars.

Where London banks do lend against stock exchange collateral the customary loan is against bills of exchange. There are discount companies in London whose business it is to be always prepared to buy prime paper and have a supply on hand. When a bank has a million pounds to put out, its first endeavors are to make loans to these discount companies, not to the stock brokers. The discount companies borrow from the banks against a parcel of the prime paper they have in stock.

Again it is a matter worth noting carefully, that in London an institution or private banker seldom or never thinks of discounting his own paper, whereas in the attempts made so far in America to build up a real open discount market it seems that everywhere we meet with this tendency on the part of our bankers. It is the wrong way to go about building up our discount market and the practice should be stopped quickly if we really are in earnest in our attempt to build up a real open discount market. The whole world must be made to feel

that there is a broad open discount market here, and that any prime bankers' dollar acceptance can be readily disposed of in that open market, at a price, no matter what happens.

Summary

To sum up briefly: Our bankers should avail of the dollar acceptance power at this time to finance our foreign trade for the reasons that, if properly handled,

(1) It will do a great deal at this time towards setting our export trade free from some of the handicaps under which we are bound to work.

(2) It is a most flexible system of financing.

(3) It is a system that has proven its worth in the world's trade outside the United States.

(4) It will create a high grade of paper for the second line of reserves.

It is perfectly certain that dollar acceptances and exchange will not have wide circulation in the world's markets until we have a real open discount market here and even then it will not be firmly and permanently

established until we have both import and export trade enough in any one place to create a demand for New York exchange in that place. The mere fact that we are willing to give acceptances and persuade merchants to take them, will not make them useful in the broadest sort of a way unless there is a continual demand in foreign markets for New York exchange. If merchants owe money in New York and constantly desire to remit funds to pay their debts in New York, or if they find it cheaper to pay their debts in New York or in other countries by means of New York exchange, then there will be a demand for New York exchange, and this demand will be met very largely by the discount of dollar acceptances at rates fixed in the right sort of an open discount market.

The needs and opportunities of the present are large. The work to be accomplished is not for the benefit of the few. If the bankers of America know their duty, and do it, every citizen will be benefited.

Note.—In compiling this paper, Federal reserve rulings and other authorities have been freely used.

BOOK FOR BEGINNERS IN BANKING

Wolfe's "Elementary Banking" costs a dollar a copy and is worth a dollar a word. Every beginner in banking should read and study it. The contents include: "Banking as a Vocation," "Wealth and Money," "Why Banks Are Necessary," "Classes of Banks," "Bank Organization and Administration," "Departments in a Bank," "Bank Statements," "Bank Accounting," "Re-

ceiving Teller," "Paying Teller," "Note Teller," "Individual Ledgers," "General Ledger," "Loans and Discounts," "Stocks and Bonds," "Savings Banks," "Trust Companies," "Clearing Houses," "Bank Examinations," and concludes with a chapter on "Banking Laws." Send one dollar in New York exchange, payable to the Correspondence Chapter, A. I. B., Five Nassau Street, N. Y.

TO CENTRALIZE RUSSIAN PROVINCIAL BANKS

In the interest of provincial institutions there will be opened in Petrograd a central bank capitalized at 5,000,000 rubles. M. Karatyguine will be chairman of the board composed of representatives of the banks in the provinces. It is believed that this new central bank will be conducted along the line of the French central society of the banks of the provinces. The French institution is understood to perform a very useful service in

that it enables the provincial banks of France to conduct their business in Paris and with foreign countries without losing their independence.

Of the capital of the new Russian bank 2,000,000 rubles will be in the form of shares to be issued to the public, while the remainder will be in the form of nomination shares and will be distributed among the provincial institutions interested in the central organization.



Financial Processes Incident to the Distribution of American Commodities

Conservative Views on Some of the Subjects of Popular discussion—Middleman a Necessary Part of Commercial Organization—Wheat and Cotton as Generators of Commerce—Foreign Trade and Domestic Development—Strong Points in an Address Before the Forum of New York Chapter of the American Institute of Banking.

BY THEODORE H. PRICE

Editor of "Commerce and Finance"

LET us first consider the various steps of distribution through which our agricultural commodities pass, in their progress from the producer to the ultimate consumer. There are from four to six of these steps depending somewhat upon the commodity dealt with and the extent to which its various qualities must be differentiated before it is finally prepared for consumption. In the case of cotton, the commodity with which I am most familiar, there are many more than six intermediaries through whose hands the cotton must pass before it comes into the possession of the wearer as cloth.

There are about thirty-two different grades of cotton. One farmer may produce all of them. A spinner requires only one quality. The farmer, therefore, sells the cotton to a dealer in his local town, who segregates the different grades. This dealer in turn resells his purchases specifically graded to larger dealers or exporters whose business it is to supply the manufacturers. Some of these manufacturers spin the cotton into yarn, which is sold to weavers. The weavers in turn make the cloth and they sell it to bleachers and converters, who either bleach or dye it and then sell it through commission merchants to jobbers. If the cloth is to be manufactured into ready-made garments it is in turn disposed of to a clothing manufacturer, who supplies the department store, from which it finally reaches the consumer.

In the case of grain, the process is a little less complex. The farmers, as a rule, sell to the elevator, the elevator to the miller, the miller to the wholesale dealer and the wholesale dealer to the grocer or baker, from whom the consumer finally buys. In the case of eggs and agricultural products which are not subjected to any manufacturing process the farmer sells to the local merchant, and the local merchant to the city commission dealer, who in turn supplies the grocer from whom the public buys.

The illustrations might be multiplied indefinitely, but those cited make it plain that the middleman is indispensable and that he is likely to continue a part of our necessary commercial organization despite the theories of those who talk about bringing the producer and consumer together. It is true that each intermediary has to be paid for the work that he does, but he performs

a necessary service and is entitled to his remuneration for it. The problem of intelligent commerce is to so reduce his hazards that the middleman will not be forced to exact a profit that will unduly enhance the cost of the goods to the ultimate consumer. By promoting the mobility of credit and the fluidity of exchange, the intelligent banker can make a very substantial contribution toward the solution of this problem. I need not go into details, for you who are here realize better than I can tell you how the merchant may avoid losses by deliberation in selling and through the ability to realize promptly by drafts against his sales once they are made.

The machinery which provides credit against warehouse receipts or evidences of ownership and reimbursement against bills of lading is more highly developed in the United States than in any other country in the world, and the ease with which this machinery functions enables us to transact an internal commerce that is estimated at \$120,000,000,000 a year, with far less fuss and friction than that which is incidental to an export and import trade that, even for this our banner year, will not exceed \$6,000,000,000 in the aggregate.

But I must pass on to the next subdivision of my subject, which is the relative importance of our greater crops. In the order of their value corn comes first, wheat next, cotton third, hay fourth and the so-called egg crop fifth. This order has been recently changed. Formerly corn was our most valuable crop and hay came next, but with a wheat crop this year of about 1,000,000,000 bushels, worth perhaps one dollar a bushel, wheat is second in importance.

As direct generators of commerce, the wheat and cotton crops probably come first. They both have to leave the farm before they can be prepared for consumption. In the case of the corn crop, it is estimated that only seventeen per cent. of the production leaves the farm. The balance is fed to stock. The same thing is true of hay. Wheat must, however, be ground into flour and cotton must be spun into cloth before the consumer can use it and the steps precedent to the transformation create a tremendous commerce.

Prior to the outbreak of the war, our balance of trade was in most years represented by the value of the cotton we produce. This is not, of course, true at present because the export demand for cotton is interrupted by Great Britain's embargo and the diminished consumption of continental Europe. The statement that the egg crop is fifth in the order of value generally surprises people. My authority for it is the Department of Agriculture at Washington. I do not guarantee this, as the egg production is estimated upon the hypothetical laying power of the hens, and as the number of hens can only be roughly approximated it may be inaccurate. It

is, however, undoubtedly true that the number and value of the eggs laid each year in the United States is astounding, and when we come to think how generally eggs are used in the preparation of break, cake, puddings, salad dressing and other forms of food it is not impossible to agree with the Department of Agriculture that the egg crop of the United States is worth \$307,000,000 a year.

The aggregate value of the agricultural production of the United States in its crude form is estimated at about \$11,000,000,000 for the current year. In its manufactured form it is probably worth three or four times this sum, and the problem of financing the distribution of this enormous commerce has led many bankers to consider whether it is wise to insist that documents shall always accompany drafts which represent the proceeds of merchandise or content themselves with the unsecured obligation of the drawer and allow him to reimburse himself by clean drafts to which the documents are unattached. The question of documentary exchange versus undocumented bills is, therefore, the next subdivision of my subject to which I shall address myself.

In England, as you well know, nearly all business is conducted upon long credits, and the English bankers for the most part rely upon the credit of their customers rather than evidential documents which attest the existence of the property in which they are supposed to be dealing. This may be well enough for England where credit is perhaps more stable than in America, but I have no hesitation in expressing the opinion that under the conditions which prevail in the United States there is no hardship and great advantage in compelling every drawer of a bill of exchange to substantiate the existence of the property against which such exchange is drawn by attaching to it the documents which represent that property. If unsecured credit is allowed it ought to be granted locally by the bankers who know the man with whom they are dealing and have opportunity to verify his statements as to the property or assets which should be the basis of that credit.

The ease and promptitude with which through bills of lading can be obtained in the United States make it entirely practicable for every merchant to furnish documents for the shipments against which his exchange should be drawn, and the moment he is allowed to do otherwise the door of temptation is open to him. It is an old saying that early information and plenty of bank credit will wreck the soundest concern and we have had many examples of the truth of this proverb right here in New York.

The next subdivision of my subject is the use of the acceptance in facilitating the distribution of American commodities and the importation of foreign goods that are consumed in this country. I do not know that I can say anything new in regard to this phase of my subject. Such men as Mr. Harding, of the Federal Reserve Board, and Mr. Eldridge, vice-president of the National City Bank, are outspoken in their advocacy of the acceptance. I entirely agree with them and I regret that it has thus far proved so difficult to induce our

American merchants to use the acceptance rather than the promissory note as a credit instrument.

The advantages of the acceptance are self-evident. Like the connecting pipe between two widely separated reservoirs, it would serve, if generally used, to maintain interest rates at the same level throughout the country. The fact that it would do this is probably one reason why so many of our interior bankers who have hitherto been able to borrow money at a low rate in the reserve centers and lend it out at a high rate to their home borrowers are opposed to educating their merchants to avail themselves of it.

The influx of gold and the development of the Federal reserve system seem to make any stringency in the money market improbable for a long time to come and I fear that the general use of the acceptance will only come when our interior bankers some day find their resources insufficient to give their local customers the credit they are entitled to. I read the other day that some banks in Kansas were compelled to decline deposits because of a state law which limits their deposits to ten times the amount of their capital and surplus. Under such conditions any device which tends to reduce or equalize the cost of credit is likely to be opposed by the local money lenders. I am, however, hopeful that sometime in the future the compulsion of circumstances will make the use of the acceptance obligatory and once the American business man becomes familiar with its advantages, I am convinced that he will not willingly surrender them.

The last subdivision of my subject is the present financial eminence of America and especially of New York, and its bearing upon the distribution of not only the commodities which are produced in the United States but of the world's production of the things which society requires. The present accumulation of money in New York and the destruction of wealth caused by the war in Europe have led many to cherish the hope that the metropolis of the Western Hemisphere is destined to become and continue to be the clearing house and financial center of the world.

I confess I do not share this vision. I have been too long in business not to realize that commercial and financial relationships are established only by years of intercourse and the confidence thereby inspired.

Despite the political decline of Holland, Amsterdam remained for many years the financial center of Europe and she was able to retain her connections and maintain her supremacy because of the confidence which years of intercourse has inspired. Even if the present war should be a draw or England should be defeated, London would, I think, for many years continue to dominate the world's exchanges and provide a clearing house for international commerce. I hope and I believe that the financial importance of the United States will be immensely increased as a result of the war, but I do not think that it will be practicable for us to wrest away from England the financial dominion that she has exercised for so many years. We must be content to grow gradually.

INSTITUTE CHAPTERGRAMS

ALBANY

By J. Raymond Roos

It was very gratifying to notice that the second of the fall meetings of the Albany Chapter, which was held October 28th, brought out quite a number of new faces. We feel sure that those who visited us on this occasion, perhaps for the first time, did not regret their visit, for we had a very interesting and instructive meeting.

Gardner B. Perry, Manager of the Bond Department of the National Commercial Bank, was speaker of the evening. Mr. Perry told of a trip he made two years prior to the beginning of the present European war through all of the countries now at war. He related the advantages of a passport and the condition of the Balkan States. His address was interesting and humorous, especially when he told of his difficulties with the Russian police.

The Membership Committee, of which Frank Williams is Chairman, seem to be some "hustlers" and it would not be at all surprising if they gather all of the Capital District bank clerks into the fold of the A. I. B. in a very short time. We were pleased to welcome the following new members: Hon. James H. Manning, Frederick B. Stevens, H. D. Rodgers, Henry P. Warren, Chas. T. Gray, Henry G. Bockmeier, William Winig, Harry Burrick, Wm. H. Girvin, Jr., George C. Kugler, Madison L. Ames, Walter A. Cook, Guy H. Benjamin, Ralph T. Simmons, Glenen K. Vars, G. A. Wickert, Jr., Oswald W. Meyer and J. O. Blinn, Jr.

The Study Class is well attended. We have just finished part of the course in Negotiable Instruments.

Mr. O'Byrne, Chairman of the Educational Committee, announced a few days ago that ten lectures on Corporation Finance will begin shortly, under the direction of Dr. A. M. Sokolski, former lecturer at the New York University and Johns Hopkins University.

George Wilkinson, cashier of the First National Bank of Amsterdam, while passing through Albany on November 4th, stopped for a short time to renew old acquaintances. Mr. Wilkinson was the first president of the Albany Chapter and is one of the few who is largely responsible that Albany is represented in the A. I. B.

The first event arranged by our Public Affairs Committee was held Friday evening, November 12th, in the auditorium of the Albany Institute and Historical and Art Society Building.

John Liston, of the General Electric Company, Schenectady, was our honor guest of the evening and principal speaker. His subject was the "Panama Canal and Its Electrical Equipment." Mr. Liston, in his address, said in part that in 1492, when Columbus sailed on his voyage of discovery, his object was to find a western route to the Orient. Balboa had a similar purpose and during the last four hundred years Spaniards, Portuguese, Germans, Hollanders, Englishmen, Frenchman and Americans have attempted to make what nature de-

nied, ship route connecting the Atlantic and Pacific Oceans through the Isthmus of Panama, but all failed until now when apparently the United States has achieved success.

The Panama Canal from deep water in the Atlantic to deep water in the Pacific is fifty and four-tenth miles long, from shore line to shore line forty miles long; about seven miles are ocean level on Atlantic and about eight miles on Pacific. In the Canal there are six pairs (twelve locks), each of which has a usable length of 1000 feet and width of 110 feet; the three pairs at Gatun have a combined lift of eighty-five feet, the one pair at Pedro Miguel thirty and one-third feet, and the two pairs at Miraflores, combined, fifty-four and two-third feet. The lock gates are of steel and each is seven feet thick and sixty-five feet broad, but their height varies from forty-seven to eighty-two feet. In all, there are ninety-two leaves weighing 57,000 tons. To operate these gates and to tow vessels into, through and from the locks, electrical power generated from the head by the Gatun Dam and actuating water turbines are employed. No vessels are permitted to enter or leave the locks under their own power; and must be towed in and out by electrical locomotives running on cog wheels and equipped with ship drums, towing windlasses and hawsers. Usually, for perfect control, four such engines are used, one on each side forward and aft. The average time required to pass a ship through the locks is estimated at three hours and the passage from deep water to deep water at from nine to twelve hours. In the whole Canal there are twenty-two angles or course changes, but ample provision is made for easy and safe navigation by 1000 foot ships.

The lecture was illustrated with both, slides and moving pictures. In spite of the rainy weather about 150 attended.

ATLANTA

By T. J. Miller

During the past month we have been rather busy with our study course. The class is now well organized, about seventy being enrolled. Mr. Parker has delivered several very interesting lectures, and judging from the interest in and attendance at these lectures, we will have very little trouble this year in keeping the men interested in the work. Every member of the class is a hustler and a booster, working at all times with this as their slogan, "the best, busiest and largest class Atlanta Chapter has ever had."

The different committees as appointed by President Carter have been busy. Especially is the work of the Educational Committee noticeable. Mr. Speas as Chairman of this Committee, and his associates are doing a great work for the Atlanta Chapter. If the plans formulated by them are carried out, we expect to have a de-

bating team in the field next spring and will challenge some of our sister chapters.

The class in public speaking will start just after the Christmas holidays. Already we have had several very interesting papers read by men from the different banks of the city. At our next regular business meeting several papers will be read on the subject of "Credits." The members are taking quite an interest in this kind of work.

On November 3d we had the pleasure of hearing Hon. Jos. A. McCord, Governor of the Federal Reserve Bank of Atlanta, on "Trade Acceptances." Mr. McCord, in a very interesting speech, explained in detail the workings of Trade Acceptances, their origin, their purpose and results to be derived from the use of acceptances, and the part they are to play in the future commercial world of this country. Atlanta Chapter is always glad of an opportunity to hear Mr. McCord and we hope that it may be our pleasure to have him with us quite often during the year.

During the past week the Georgia Harvest Festival has been in full sway in Atlanta and we have had the pleasure of entertaining our country friends and customers. Quite a number of country bankers and merchants have been visitors to the city during the week and they report prosperity from all sections of the state.

BALTIMORE

By J. Adréon Keller

Baltimore Chapter's last open meeting was "Savings Night." Edward L. Robinson, vice-president of the Eutaw Savings Bank of this city, and former President of the Savings Bank Section, A. B. A., presided at the meeting.

Hon. Carter B. Keene, director of the Postal Savings System, delivered a very entertaining and enlightening address on the work of the Postal Savings System and its growth. In his eloquent discourse, Mr. Keene touched upon some very interesting statistics, showing what the Postal Savings System is accomplishing in Americanizing foreigners and in gathering their funds which would otherwise be sent abroad or hoarded.

Milton W. Harrison, Secretary of the Savings Bank Section of the American Bankers Association, was with us and spoke on the campaign to promote thrift, which is being conducted by the A. B. A. through the chapters of the Institute.

In fact, there was every evidence that the ground on which our Public Affairs Committee must work in carrying out the propaganda was "being well prepared."

James D. Garrett, of the Central Savings Bank of this city, read a very interesting paper on the history of the Savings Section and furnished some statistics of importance as "Thrift" hints. Mr. Garrett's paper in part read:

Our primary object this evening is to start a thrift campaign in our city and state, utilizing, among other forces, the services of the American Institute of Banking.

This is a compliment to the Institute, as well as an opportunity for it to pay off a part of its obligation to

its parent organization—the American Bankers Association.

To those who have been interested in the American Institute of Banking and have watched its development, it is most gratifying to note the success which it has achieved.

Thrift is a problem of education and, therefore, the educational branch of the American Bankers Association should shoulder its part of the burden. Being a problem of education, we should view it from its broadest aspect and be careful to avoid commercializing it to the exclusion of the higher humanitarian side.

Until comparatively recently the "banking" side of thrift had been left to the mutual savings banks and societies of our country, and I am proud to say that there are few, if any, movements in which better, more manly, unselfish Christian qualities have been displayed than in the savings banks right here in our own city.

In considering this subject we must not become one-sided and condemn America for the lack of this one important virtue, for in making any comparison between it and the most thrifty countries, such as France, Germany, Holland, Switzerland or Belgium, we would be losing sight of the influence of centuries of training and different economic conditions which have to be most carefully considered and reckoned with. Our forefathers were frugal through training and necessity, but as the later generations had opened up to them a country so vast, with resources apparently so limitless, and opportunities so great, there was not the same incentive for economy. The need then, was for that very American spirit which developed to take advantage of those opportunities and utilize the vast resources at their command.

With the increase in population and the demands incident thereto, and the realization of the reckless waste, came the imperative need for conservation and economy. The importance of this is now beginning to be realized by the individual and the nation.

The Government is constantly bringing natural resources under its protection; the manufacturer is studying his business more intimately, perfecting its organization, saving the by-products, etc. Therefore, the necessity arises for this thrift campaign to call the individual's attention to the conditions as they now exist that he may do his part in our economic life.

As new capital is the margin between what we earn and what we spend it behooves us as individuals to practice thrift in its fullest sense, that we may as a nation be prepared to take advantage of the great opportunities which will be presented on account of the European war, and also that we may be ready to assume the burdens and responsibilities thereby thrust upon us.

Thrift is a habit and must be acquired by training, education, environment and persistent determination of purpose. A simple and good formula for saving is—

Spend less than you earn;

Buy for cash;

Keep some account of what you earn and spend;

Invest wisely;

And save systematically.

Systematic saving is the most important factor in successful saving. Determine how much of your income you can spare, and then live up to your determination to save that amount at and for a definite time. There will be times when the temptation to break the rule is very strong; however, persist in your determination and you will be amply rewarded.

Educational work in Baltimore Chapter is moving along splendidly, Tuesday night classes in Commercial Law showing a constantly increasing attendance. The Membership Committee has been busy and new members are being enrolled at each Board meeting.

BUFFALO

By Lawrence H. Geser

Buffalo Chapter has commenced active work in connection with the thrift campaign of the Savings Bank Section by the appointment of the following committee: James Ratray, Bank of Buffalo, chairman; John M. Satterfield, vice-president of American Savings Bank; Alva L. Dutton, treasurer of Bankers Trust Co.; Wm. B. Frye, trust officer of Commonwealth Trust Co.; Geo. B. McPhail, Fidelity Trust Co.; M. J. Kinney, State Banking Department; Harry G. Hoffman, Manufacturers & Trader National Bank; Henry H. Halm, Jr., Peoples Bank, and Godfrey Berger, Jr., Central National Bank. By a special arrangement with the Larkin Company of this city a series of four talks on "Thrift" is being given before a club of fifty girls. The first talk dealt with the "Fundamental Principles of Thrift"; the second with "Methods of Teaching Children to Save"; the third, "Household Efficiency and the Keeping of Personal Accounts"; and the final talk, which will take place on December 2d, will cover "Banking in Its Relations to Thrift." The members of this club intend to formulate plans for putting into practice what they have learned from these talks. Forty of the girls have pledged themselves to open individual savings accounts at the beginning of the new year and to endeavor to lead others in the same direction. Several other inquiries regarding talks on thrift have been received and by all appearances our speakers will be kept very active for some time to come.

Through the courtesy of the Bureau of Commercial Economics, Washington, D. C., the Chapter enjoyed an illustrated lecture on "Glacier National Park and the Blackfoot Indians." The lecturer, L. D. Kitchell, has traveled extensively through that picturesque region and his graphic account of its beauties was both interesting and instructive.

The Buffalo Association of Credit Men extended an invitation to the Chapter to attend their annual "Bankers' Night" at the Statler Hotel on November 18th. The meeting was addressed by W. P. Malburn, Assistant Secretary of the Treasury, on "The United States After the War," and Frank H. Randel of Cleveland, Ohio, on "Acceptances." As this event fell on the night our Forum would have met, the members of the

Forum took a night off and attended the dinner. All report that they were very cordially received by the credit men and given an excellent time.

At the beginning of the season the Membership Committee instituted an active campaign for new members and the results obtained are very gratifying. Thus far forty-three new members have been received into the Chapter and prospects are bright that more will become members during the next month. The members of this committee, through whose efforts the campaign was made a success, are Edw. Thurn, chairman; A. W. Anderson, Godfrey Berger, Wm. A. Bliss, Wesley Campbell, Louis Enslin, Wm. B. Frye, H. A. Ritter, Fred'k Robertson, Jr., C. E. Townsend and C. B. Williams.

The educational classes are all making rapid progress and the attendance at the classes has been exceptionally large.

It gives us great pleasure to announce that the merits of three of our members have been rewarded. Alva L. Dutton, formerly with the State Banking Department, has been appointed treasurer of the Bankers Trust Company of this city; M. J. Kinney, formerly auditor of the Marine National Bank, has received an appointment as state bank examiner, and Carl Wenger has been appointed auditor of the Marine National Bank.

CHICAGO

By G. W. Cooke

Real work in Chicago is now in full swing. This is distinctly a Chapter year. Interest in the various courses of study is unprecedented. Out of a membership of something over 1,400—about 200 more than previous high-record mark—in excess of 800 are registered in the various classes, at least twice as many as in any other year. Of this number 450 are in the standard study courses, and as the Chapter has now one-credit men to the number of 180, the close of the school year will show that we have more than doubled our list of certificate holders and will also have several hundred one-credit men to complete the Institute work next year.

The law course, following usual precedent here, has the largest enrollment, with both banking and finance and public speaking showing excellent gains over last year, while the new English class is second only to the law in point of popularity. Accountancy has been dropped, for the present at least, from the local curriculum as not enough men in comparison with the number in other branches signified their intention of taking the work.

The debate society is an active and flourishing institution. For the first time since a public-speaking course was established it has been separated from the meetings of the debate society and both show the benefit of the change.

Adolph Floreen, the result of whose good work as chairman of the Educational Committee are apparent from the foregoing, has been appointed chairman of the Committee on Public Affairs. An aggressive campaign in this work and in the thrift propaganda is being planned. There are quite a number of members who

by age, ability and experience are well qualified to take up this work. By the return of such older men to active duty all benefit—the men, the cause and the Chapter. This work is interesting some who have not been active in the forum and is, in a measure, a solution of the problem of giving old-time workers an outlet for their devotion to the Institute ideals. The forum, while making steady progress by strict adherence to the outline of study, has not yet the number in regular attendance that is warranted by the value of the course nor the size of the Chapter. This is the one dark cloud in our educational sky, but even now the light is breaking.

Two new members were appointed this month to the board of directors of this Chapter, David Johnstone, a former officer and long-time worker, and Richard G. Jones, an active and highly desirable acquisition, succeed Messrs. Sommers and Malcolm, who by press of duties at their respective banks found it impossible to meet the demands made upon their time and energy.

The regular open meeting of November was a patriotic one. The Chapter was addressed by Henry Rathbone in the interests of the National Security League. He made a brief but stirring appeal for preparedness urging members of the Chapter to join the league. "Peace and preparedness go hand in hand" was the keynote of his speech, and his patriotism and sincerity were infectious, bringing repeated cheers and applause.

The annual banquet of Chicago Chapter is scheduled for January 22, 1916. With more and more attention being devoted to the real work of the organization—education—the banquet in recent years has been the one big social or entertainment feature. Last year's notable success, with speakers of international reputation, set a high standard at which to aim, but the desire—ever present—to do better is evidenced by the paraphrasing our city's motto to "We will!"

CINCINNATI

By Wm. Beiser

The important subject of "Trade Acceptances" was discussed by L. S. Doggett, Treasurer of The Putnam-Hooker Co., at our regular meeting on Tuesday, November 9th. Mr. Doggett's discussion was very interesting, not only because the subject is so opportune, but because he handled it from the viewpoint of the business man and referred to the practicable use of the trade acceptance and its development in the regular course of business. Mr. Doggett's lecture was in the form of a basis for a discussion which followed. The fact that he was a keen student of the subject was disclosed in his able answers to all questions respecting the topic. He said, in part, as follows:

"The acceptance is one of the oldest forms of commercial paper. It is now, and has been for many years, the basis of the financial systems of Europe. Up to the time of the passage of the National Bank Act, about fifty years ago, the practice of accepting was very general in this country, but since that time this form of paper has not been so much used.

"The use of the acceptance is being revived at the present time, owing to the fact that our credit and cur-

rency system under the Federal Reserve Bank Act is based on commercial paper, supplanting the bond-secured system which was in effect under the National Bank Act. The reason for this change was that under the bond-secured system the supply of currency and credit bore no relation to the volume of business being transacted. There was consequently no flexibility in credit to meet the fluctuating demands of business. This resulted in the numerous financial panics to which the country has been subject since the Civil War. In basing the currency and credit system on commercial paper, we will secure a system under which the supply of credits and currency will be regulated according to the volume of such commercial paper in existence. The amount of this commercial paper in existence will in turn be regulated by the volume of the movement of merchandise.

"The name trade acceptance is given to acceptances covering transactions between merchants as distinguished from drafts accepted by banks, which are called bank acceptances.

"As you all know, the usual method in the sale of merchandise is for the seller to bill his goods to the buyer and carry the invoice on his ledger as an open account until the date of maturity. The trade acceptance is the means of closing these accounts by the purchaser giving a written acknowledgment of his obligation to the seller. The method is as follows: Upon shipment of the goods, the seller forwards with his invoice a draft on the buyer payable at maturity of invoice, which is to be accepted across the face by the buyer and returned, unless he wishes to discount his bill in ten days.

"Invoice date shows that it is not a draft given for a past due account. It is also distinguished from a sight draft, which is usually for a past due account. From this you will see that trade acceptance is paper which shows that it represents an actual movement of merchandise from the seller to the buyer. It has back of it a merchant's live accounts receivable, which is the best possible security on which to base bank credits.

"Under the open-account system, banks lending on single name paper based on financial statements, do not loan up to the full amount of accounts receivable as shown by the merchant's statement. Some allowance has to be made for depreciation owing to the fact that it is not possible to determine from the reading of a statement that all the accounts receivable are current, and not past due, or in other words, *dead assets*. For this reason a large proportion of the ledger accounts of the merchants of the country are lying dormant so far as being available as security for bank loans is concerned. Under the trade acceptance method these accounts would all be available to secure loans, as the banks could with perfect safety loan up to the full amount of their customers' accounts receivable, as represented by trade acceptances.

"Further as to security from the banker's standpoint. Instead of lending on security of its customers' single name only; in the case of acceptances, the bank has also back of its loan the responsibility of the maker of the acceptance. This can always be fairly readily determined by referring to the mercantile agency books. Another important point from the banker's standpoint is the distribution of liability. Suppose that a bank is lending a customer \$25,000 on his single name paper based on a financial statement, from which it could not be absolutely sure that the loan had back of it quick assets. If this customer had his accounts closed by acceptances, the average amount of each piece being, say, \$500, the bank would then have fifty different concerns (the makers of the acceptances) back of its loan of \$25,000 besides the endorsement of its customer.

"Now we come to the bearing the Federal Reserve Bank Act has on trade acceptances. Section No. 13 of the Act provides that reserve banks may discount for the local national banks, or member banks, as they are called, commercial paper arising out of an actual com-

mercial transaction and not made for the purpose of securing funds for speculative purposes, or for fixed investments. In other words, this means that paper for rediscounting should be that which is made by a merchant or manufacturer for the purpose of carrying his customers' accounts and his stock of merchandise, which are his liquid assets, and not for the purpose of securing funds for investments in land, buildings or machinery. The trade acceptance meets these requirements without any evidence beyond that contained on the face of the paper.

"If single name paper is used for rediscounting, the member bank must certify to the reserve bank that it has on file a financial statement of the concern making the paper, showing that it has the proper proportion of quick assets to debts, so as to insure reasonably prompt liquidation. This naturally leaves room for errors in judgment as to what are quick assets and some room for doubt as to what proportion of the accounts receivable as shown by the statement are actually good. Evidently having in mind the difficulty in judging as to liquid assets as shown by financial statements, the Federal Reserve Board in ruling as to paper for rediscount has discriminated in favor of the trade acceptance by giving it one-half of one per cent. per annum lower rate for rediscounting than is given on single name paper.

"Let us also consider the advantages to the merchant in having his accounts closed by his customers' acceptances. The open-account system encourages a general laxity of business methods because the debtor feels that he can use his convenience as to meeting an open account at date of maturity. He really feels hurt if his attention is called to an account that has run a few days past due. If he has signed an acceptance, which is a promise to pay his account on the day it is due, he is tolerably apt to make his arrangements accordingly. He will be careful not to overbuy and will study his business so that he will purchase merchandise that will move promptly, in order to avoid accumulations of stock. He will be more careful to whom he extends credit, for if he is to meet his acceptances promptly, he must collect his bills from his customers promptly. This would result in reducing the number of failures which are usually caused by overstocking and the accumulation of bad accounts.

"Commercial credits to-day are held entirely too cheaply, and the merchant should be made to realize that so many dollars' worth of his merchandise is worth just as much as the same number of dollars of a bank's money.

"Now as to the advantages to the merchant in having a supply of trade acceptances when he goes to the bank to borrow money. His banker will give him a larger line of credit on acceptances than he would on his single name paper. He would secure a lower rate of interest, owing to the higher class of his security. His paper would be beyond question eligible for rediscount with the Federal reserve banks, which would be an additional reason for its being desirable to his own bank.

"In concluding, I wish to make it clear that the use of trade acceptances is a fact and not a theory. Many merchants and manufacturers are now taking steps to supplant the open-account system, which is generally admitted to be so undesirable, with the one of trade acceptances. We can undoubtedly look forward to this change-for-the-better becoming very general in the no very distant future."

Following the above lecture, Prof. Elliott Smith of the Cincinnati Observatory lectured upon the subject "Other Worlds Than Ours." The lecture was illustrated. He referred to the practicable uses made of observations of the stars by explaining how boundaries were determined according to the position of the stars and how mariners depended upon the stars for the following of the correct course. The most important result was the

development of a broader intellectual outlook which was gained from a study of the stars. The lecturer referred to the heights of various mountains as they appear on the photographs; the heights were beyond human conception. It was interesting to hear his explanation as to the method used in determining the heights of the various mountains.

DALLAS

By Forrest Mathis

Good fortune came our way this month. Our study class in law accomplished much work, with continued interest and magnificent attendance. The first debate of the season was successful even beyond the fondest expectations of the committee. And, in addition, Dallas Chapter had the great pleasure of having Geo. E. Allen as our guest on November 19th.

The first debate was held on the night of Mr. Allen's visit. T. L. England and R. B. Maddox of the National Bank of Commerce plead the cause of the affirmative of the following question: "Resolved, That the Proposed Increase of the Army and Navy Is to the Best Interest of the United States." Their fervent arguments for preparedness in armament seemed to be overwhelmed by the warlike attacks of the peaceful negative. W. G. Compere of the Security National Bank and Fred W. Jack of the City National Bank, for the negative, were awarded the decision of the judges.

Mr. Allen took the general subject of the debate, "Preparedness," as his subject. He pointed out that this country had passed through two stages of development and was entering upon the third. The first was military, arising out of the struggle for liberty, and the statesmen and foremost thinkers of that time were soldiers. The second was political and reconstructive, and questions of law were uppermost in the public mind. Hence lawyers were largely dominant in state affairs. The third stage being economic, the statesmen and national leaders must necessarily give economic and financial questions much thought and attention. He brought to mind the importance of proper consideration of economic phases of local industry by citing the condition of Texas railroads, and advocated carefully considering both sides of the question of regulation. Of more importance he called attention to the many unsettled economic questions now before the public. While the Federal reserve system can justly take credit for settling many of the difficult problems of this age, some are coming up insistently, among the most imperative of which is the question of rural credits. This question is one which the bankers should settle for themselves before legislative enactment forces a settlement, probably undesirable to them.

He then cited the fact that bankers have not been able to influence public co-operation in the settling of these questions on account of lack of preparation on the part of the bankers to intelligently discuss them with the public. Hence, his message urging "preparedness" on the part of bankers. The application of the study courses to the subject under hand was then made in clear

and forceful sentences. Dallas Chapter thanks Mr. Allen for his visit and invites him to call again.

Accompanied by Councilman Beckley, Mr. Allen left on the morning of November 20th for a visit to our neighbors, Fort Worth Chapter.

Enthusiastic as was the debate reported in this chaptergram, better things are promised by the debating committee in its announcement of a coming debate—about December 17th—between Dallas Chapter and the Jefferson Club of this city. The subject is "Woman's Suffrage," and Dallas Chapter will be represented by J. Barney Davis of the Security National Bank and W. J. Evans of the American Exchange National Bank.

HARTFORD

By Clarence T. Hubbard

November 23d saw the opening meeting of the 1915-16 season of Hartford Chapter under the surveillance of President Wilbur F. Lawson. Two interesting talks made up the evening's programme. The lecturer of the first part was Henry Pease of the Hartford Trust Co., who outlined his trip to San Francisco where he attended the convention as representative of this Chapter. Mr. Pease proved a very interesting reporter and his descriptive talk won the attention of all, making everyone wish that they had attended the auspicious occasion themselves. The delegation that attended Dallas last year almost shed tears when Mr. Pease told of the "doings." William C. Goebon of Conning & Co., Investment Brokers, and former president of Hartford Chapter, provided part two of the evening with an informative talk on: "Investments v. Speculation." The discourse was very timely and dealt with the wisdom of the investor and the indiscretion of the speculator. Mr. Goebon cited several examples relative to market transactions where huge sums were lost in speculation and also quoted cases wherein the careful investor had accumulated a fortune without loss or worry. The talk was full of good advice and attentively listened to by all. Following the instructive talks, light refreshments were served and panatelas dispersed while the Chapter folk gathered around and enjoyed themselves.

Consuls were summoned on November 18th to a dinner at Bond's, where an interchange of ideas for the betterment of the Chapter held forth. President Wilbur Lawson presided at the meeting and this meeting saw Earle Young of the Hartford Trust Co. in the chair of Clerk of the Board of Consuls.

The law class of Hartford Chapter is a decided success, with an average attendance numbering around forty. John W. Joy is the class instructor and under his guidance the class is absorbing considerable useful law knowledge, even learning what a "chosen in action" is.

Flashes of speed are already noticeable in some of the banks where the adding machine manipulators are practising in hopes of capturing the honors on December 21st—the annual Adding Machine Contest of the Chapter.

The forecaster of Chapter activities has again appeared—*Chapter Topics*—this year under the direction of Edward R. Barlow, Editor-in-Chief. The paper is scoring new records all the time.

HOUSTON

By H. S. Gordon

Houston Chapter is progressing very rapidly. We are having better attendance than we have ever had before. The boys are beginning to see and realize what the institute means for them.

The entire Chapter is delighted with the fact that Judge Teagle, our preceptor in last year's law course, is again with us. We are progressing very rapidly in this class and we believe that we will have several certificate men this year.

Owing to the fact that the new books on "Banking and Finance" are not yet out, it has been decided to carry a course in Foreign Exchange. Houston now has regular steamship lines and the rapid growth of this business indicates that a knowledge of foreign exchange will be essential to any man who expects to become a real banker in this city. The instructor of the Foreign Exchange class will be D. W. Cooley, president of our Chapter, who is an experienced banker and very ably competent to conduct it.

An outgrowth of last year's public speaking course is the organization of "The Senate." Offering an opportunity to become proficient in the difficult art of extemporaneous speaking, the senate fills a long-felt want. It is organized along similar lines to the Senate of the United States, each member representing some state in the Union. The presiding officer, however, being elected from the assembly for a term of two sessions only, giving an opportunity to a larger number of learning how to conduct a meeting. Each member of the senate is given the privilege of speaking at least once and as often thereafter as is the pleasure of the senators present, on any side of the question he may choose. This adds largely to the interest of the sessions, as the resolution up for discussion is sometimes so hotly debated that its fate cannot be determined until the final vote is taken. The "Senate" is, we believe, something new in Chapter work and so successful has been our experience with it that we commend it to the attention of the A. I. B. Chapters. If any of the chapters are interested in this kind of work and would like to know something about it, we will be only too glad to furnish them with all the information we can.

If any member would at any time desire to know anything about Houston, Houston Ship Channel, industries of Houston or anything pertaining to South Texas, don't fail to correspond with H. S. Gordon, Secretary, Houston Chapter A. I. B.

LOS ANGELES

By E. G. McWilliam

Interest in the work of Los Angeles Chapter continues unabated and each Friday evening brings crowded classes to both the six o'clock and seven-thirty o'clock

sessions of the Law Course, about 150 attending each session. Hence what was entered into with more or less misgiving upon the part of the officers and educational committee of the Chapter has become one of the fixed educational institutions of the city and the officers' troubles have been reduced largely to those of routine.

However, President Thomson, constantly on the alert to introduce features which will stimulate the interest of bank men generally, not only in Los Angeles Chapter but in the Institute at large, has recently introduced one or two innovations.

The first is in connection with the monthly open meeting. It was found that by having this meeting on a night other than that of the Law Class few of our active members attended, the audience being made up largely of those not attending the regular classes.

In the future this open meeting will be held after a one-hour lecture on one of the regular lecture nights, thereby, without giving up another night, giving all of our members the benefit of the open meeting and at the same time assuring the speakers a large audience.

The second innovation is the appointment of a local Committee on Public Affairs. While the personnel of this committee has not as yet been definitely decided upon, there have been inquiries in regard to school savings banks and talks upon thrift, and it is felt such a committee will be enabled to accomplish something along these lines, even though the Chapter is so young.

Promotions are always interesting and Los Angeles is pleased to report that some of its men have started up the ladder. The most notable of these is Walter A. Ellis, formerly trust officer of the Security Trust & Savings Bank, who was recently elected cashier of the Security National Bank. N. C. Peters, for several years note teller in the Loan Department of the German-American Trust & Savings Bank, was also recently elected an assistant cashier of that institution, and George Carlisle of the same bank has been promoted to the position of chief teller.

As illustrating the interest which bank men, not merely in Los Angeles but in nearby suburban towns, are taking in the work of the Institute it is interesting to note that among our membership are many men from Long Beach, Ocean Park, Pasadena, Whittier and Hollywood.

Many of these men travel a distance of fifty miles to attend our lectures and such an exhibition of sincere desire for personal improvement certainly augurs well for the future of Institute work in this vicinity.

MACON

By G. C. McWhirter

Since its organization the latter part of September, 1915, the Macon Chapter has made steady progress, and its members have every reason to feel proud of the work done.

Early in October a study class was formed, and the Commercial Law course is being pursued with determination by about twenty-five students under the leader-

ship of Arthur L. Jackson, a prominent young attorney of Macon and graduate of Mercer University.

Major A. W. Lane, counsel for the Central of Georgia Railroad, addressed the Chapter at its regular monthly business meeting, November 23d, his subject being "Contracts." It is the purpose of the Educational Committee to have prominent attorneys and business men address the chapter each month on these occasions.

An adding machine contest is scheduled to be held on the night of December 14th at the Hotel Lanier under the direction of the Burroughs Adding Machine Co., who will offer attractive prizes. Guy Huthnance, of the Macon Clearing House, now holds the speed record of the city, and there will be many to contest with him again for the new record.

Other important educational and social events are being planned by the Entertainment Committee, and the winter season of activity in the Chapter bids fair to be a lively and enthusiastic one.

MILWAUKEE

By H. G. Zahn

The Milwaukee Chapter is now in the midst of this year's activities. The Law Class under Mr. Houghton is meeting regularly with a large average attendance. Under his able tutorship good progress is being made and the class expects to complete its course in the allotted time. The class in Public Speaking under Prof. Anthony Zavadil has started. Owing to the fact that this class is an innovation in Milwaukee Chapter, an unusually large attendance greeted Professor Zavadil on the opening night, and if this may be taken as indication of future attendance, the success of this course is assured.

On Friday, November 19th, C. W. Tobie, of the Burns Detective Agency, addressed the Milwaukee Chapter. He spoke on what the Burns Detective Agency is doing in safeguarding the interests of members of the American Bankers Association. He also told of methods and devices employed by bank sneaks and bank crooks, citing various illustrations of operations. This lecture was well attended in spite of the inclement weather.

NEW HAVEN

By George S. Stirling

"America, The World's Banker," was the instructive and interesting subject of an address given before our Chapter on November 18th by A. H. Titus, assistant cashier of the National City Bank of New York.

The European war has afforded the United States an opportunity to become the greatest commercial nation. Mr. Titus spoke of our national resources and of our power to become one of the leading commercial centers; also of the necessity for a more thorough understanding of foreign trade requisites and better co-operation between government, banks and industrial corporations of this country. In an informal talk Mr. Titus told us some interesting facts pertaining to the National City Bank and the City Bank Club, their efforts to promote

foreign trade, and what they are doing to prepare themselves for greater service.

Through the kindness of Professor Edgerton, our instructor in Commercial Law, Yale University has granted us the use of a classroom in Hendrie Hall for our study meetings. Our average attendance at these meetings is ninety, and we are generally favored by the presence of one or two bank officials. The congenial spirit of our instructor, and the interest shown by our bank officials, reacts on our members and, while our Chapter is only five weeks old, valuable results are already evident.

We note with pride that our president, W. Perry Curtiss, has been honored by the Connecticut Association of State Banks and Trust Companies by election as Chairman of its Executive Committee.

NEW ORLEANS

By Norbert B. Hinckley

New Orleans Chapter reports still further progress. Our membership is now larger than ever and the average attendance at classes is increasing. Professor Fortier, who is teaching Commercial Law, has certainly accomplished wonders thus far. We consider ourselves quite fortunate in having such a splendid teacher. He is one who knows the law and has the ability of imparting his knowledge. The Forum continues to draw a large number. Nearly all of our graduates are enrolled. The Public Speaking Class has also attracted quite a number, and as a result much excellent talent is being developed.

We have arranged for a debate with Birmingham Chapter, on "Resolved, That the Establishment of a System of Branch Banking Would Be to the Best Interests of the United States," to take place here on January 15th. We have chosen the negative, and our boys are already hard at work digging up arguments.

On Saturday, October 13th, about seventy-five of our members took another trip up to the new Cotton Warehouses. This is the first time we visited it since it has been in full operation, and as a consequence acquired considerable knowledge about modern engineering.

Our Public Affairs Committee is now making preparations to participate in the Celebration of the Centennial of the Savings Bank in America, to be held in 1916. We propose to do our share to make this celebration a success, and to this end are now arranging to conduct a thrift campaign, as outlined by the Savings Bank Section of the American Bankers Association. Our Public Speaking Class will furnish the necessary speakers to deliver talks on thrift in schools, colleges and before the Mothers' Clubs, etc. We will also from time to time journey through the industrial section and deliver talks on the advantages as well as the necessity of saving. M. W. Harrison, secretary of the Savings Bank Section of the American Bankers Association, will address us on December 20th, outlining the full program in connection with this celebration. Much enthusiasm is being displayed by the members over this and excellent results are looked for. The boys of New Orleans

Chapter realize the necessity of teaching the public to save and know that anything that will benefit the community at large and their bank in particular will also benefit them.

After our regular monthly meeting on October 12th we had the pleasure of listening to W. H. S. Stevens, Professor of Business Organization, at Tulane University, talk on the "Functions of the Produce Exchange."

The second of the series of informal talks by Institute graduates, was given by F. L. Ramos, Auditor of the Canal Bank & Trust Company, on October 15th, on "Bank Audits." The speaker presented this subject in a clear and interesting manner, outlining audits conducted by internal, clearing house, state and national bank examiners.

John Dane has been reappointed Historian of the Forum.

NEW YORK

By James M. Squier

Probably the most important item of news regarding New York Chapter during the past month was the meeting of the Forum on Wednesday evening, November 17th, which was designated as "Thrift Night." As is known to the members of the Institute throughout the country, a Savings Bank Centennial Celebration is being planned for 1916. Incidental to the celebration of this one hundredth anniversary since the establishment of the savings bank in this country, and principally in view of the enormous destruction and waste now being caused by the European war, there will be conducted by the Savings Bank Section of the American Bankers Association, through the Public Affairs Committee of the various Chapters of the American Institute of Banking throughout the country, a nation-wide campaign of education for the encouragement of thrift, closing in December, 1916, in a Thrift Congress to be held in New York.

The campaign will be under the immediate direction of a committee of seven bankers, who will work in cooperation with a proposed Centennial Advisory Thrift Commission composed of seventy-five of the leading business men in the United States. The celebration of the one hundredth anniversary of the establishment of savings banks will be under the direction of Victor A. Lersner, comptroller of the Williamsburgh Savings Bank, and Chairman of the Centennial Celebration Committee. Milton W. Harrison, Secretary of the Savings Bank Section of the American Bankers Association, and Chairman of New York Chapter's Public Affairs Committee, which will have direct supervision of New York Chapter's end of the work, was in charge of the meeting on the 17th and launched the campaign with an outline of the plan as mentioned above. William E. Knox, comptroller of the Bowery Savings Bank, and Mr. Lersner also spoke more in detail regarding the plan. A good deal of interest was displayed by those present, and a number of good suggestions were made regarding the best way to carry on this work.

At the next meeting of the Forum, which will be on December 1st, J. E. Rovensky, assistant cashier of the National Bank of Commerce, will be in charge and the subject for discussion is "Federal Reserve Banks and our Gold Supply." On December 15th at the Forum meeting on that date, William Noble Dickinson, president of the General Elevator Company, will talk on "South American Trade from a Commercial Point of View."

In addition to the regular Forum of the Chapter a Savings Bank Forum has been conducted in the Chapter this year, the two Forums being held on alternate Wednesday evenings. An elaborate programme was arranged in which each branch and sub-division of the saving bank work might be treated, and while it has been very difficult in the past to interest to any great degree the savings bank membership in New York Chapter work, the attendance at these meetings has been on the average of about a hundred and the interest displayed has been so great that many new members have been added to the rolls.

Wednesday evening, November 17th, was the occasion of New York Chapter's annual dance. This was held in the Grand Ball Room of the Hotel Plaza, and thanks to the untiring efforts of the Entertainment Committee under Chairman H. H. Irish, no stone was left unturned in an effort to make this the best ever. That they succeeded was so declared by everyone in attendance. Considerably over a hundred couples were present, just comfortably filling the floor, and dancing was enjoyed until the wee small hours of morning.

Once a month we have been holding an open meeting or Chapter night, under the direction of the Seaside Section of the Chapter. At the last one of these meetings, held on November 10th, H. F. Wilson, Jr., assistant secretary of the Bankers Trust Company, delivered an illustrated lecture on the San Francisco Exposition and the country en route from New York. Mr. Wilson is a most interesting lecturer and his pictures were excellent, thus compensating to a certain extent those of us who were unable to make the trip last summer.

The date for our annual banquet has been set for Saturday evening, January 29th and it will be held in the Grand Ball Room of the Hotel Biltmore where we had such a good time last year. The plans regarding the banquet have not yet reached the point where anything definite can be announced, but by another month they will be rapidly assuming shape and it is expected that full details can be published in the next issue of the BULLETIN.

PHILADELPHIA

By David Craig

A vigorous educational campaign is in progress in Philadelphia and on nearly every night in the week there is something doing. The class in commercial law, under the leadership of Paxson Deeter, a member of the local bar, has 107 members. Mr. Allen's class in negotiable instruments has an enrollment of fifty-nine, while the new class in business English and public speaking organ-

ized with thirty members. The post-graduate forum has begun its season under the direction of Dr. E. M. Patterson, of the University of Pennsylvania. The History and Theory of Banking in the United States has occupied the study hours during October and November and will be continued at the December meeting. The banking systems of Canada and the leading foreign countries will be considered after January 1st. Then will follow the study and practice of modern commercial banking.

The Members' Night Committee has arranged for its meeting December 17th a discussion of the Transit Department. The leader will be O. Howard Wolfe.

Philadelphia Chapter has received substantial recognition of its talent by National President Bean in the make-up of the Institute committees as follows:

Public Affairs—Freas Brown Snyder.

Thrift Work—Wm. A. Nickert.

Public Speaking and Debate—Carl H. Chaffee, chairman.

Military Instruction—Wm. S. Evans.

Publicity—Carl W. Fenninger.

M. W. Harrison, secretary of the Savings Bank Section, was in Philadelphia Saturday evening, November 27th, and met the Committee on Public Affairs. He explained in detail the campaign of thrift to be conducted during 1916, the centennial year of the establishment of savings banks in the United States. Philadelphia Chapter hopes to assist in this work in its immediate vicinity by a continuation of the public lecture work begun last year and by other means of publicity. Steps are under way to bring before the public school authorities the subject of school savings banks. The Public Education Association of Philadelphia is co-operating in this effort.

PITTSBURGH

By P. F. Tessmer

Interest in class work continues at the high point in Pittsburgh. Judging by the attendance records, the educational Committee should feel gratified at the results of their efforts thus far. Another class (to take up a subject directly pertaining to daily bank work) is under consideration, and the response accorded the two classes already organized is certainly an incentive to go through with it if possible.

Professor Kidd is making his evenings on economics a pleasure, according to remarks by different members of the class and the attendance, which usually ranges from 150 to 200 students.

Dr. Holdsworth has the largest class on record at the University of Pittsburgh in "Money and Banking," which speaks for itself.

The Ways and Means Committee expect to have a very good program on the evening of December 7th, the first general meeting since opening night, and have succeeded in getting A. F. Maxwell of New York City to speak on "Credit Factors in Modern Commercial Banking," which is a rather large subject in these strenuous banking times. The average bank man hardly realizes the

importance of banking history written at the present time.

The Bankers' and Bank Clerks' Mutual Benefit Association of Pittsburgh held its annual election and banquet on November 15th last, both parts to the affair being a great success, the former especially so to the winning candidates. The two tickets in the field aroused a great deal of interest and the usual friendly rivalry.

PORTLAND

By Helmer Pierce

The attendance at the regular law classes has exceeded our fondest anticipations. We naturally expected a slight loss of interest after the first stimulus had worn off, but so far the decrease in attendance is not apparent.

We were fortunate in being able to arrange with J. Hunt Hendrickson, a teacher in the Northwestern School of Law, to act as instructor. Mr. Hendrickson received his legal training under Prof. Samuel Williston, the author of the institute text-books, and is therefore in hearty accord with Professor Williston's theories.

Officials from several of our banks kindly consented to conduct the elementary banking course this season, now completed. We have heretofore felt the need of some preliminary instruction for the younger men of the Chapter and O. Howard Wolfe's elementary treatise fills a long-desired want.

The forum work undertaken this season is a new addition to our curriculum. For instructor we secured Prof. W. A. Morton, Dean of the School of Commerce at the University of Oregon. Prof. Morton was connected with a bank for several years, and accordingly is happily able to combine practical experience with theory. Meetings are held once a fortnight. To provide an incentive for our members to take up the regular institute law and economic course and obtain a diploma, we have limited the membership of the forum class to certificate holders and bank officers only.

In accordance with opinions expressed at the Chapter presidents' conference at the A. I. B. convention held in San Francisco that social events do not tend to bring about the desired results, the executive of our Chapter decided to curtail the entertainment heretofore provided at the monthly meetings. Instead educational features will be enlarged upon. Prominent men in our community have been invited to speak before us, from which talks we will receive valuable information outside of the scope of the Chapter lectures. For our October meeting we obtained Hon. Geo. E. Chamberlain, United States Senator from Oregon, to address us on the Federal control of water rights. Senator Chamberlain's remarks were highly interesting, giving us a keen insight into the problems that confront the people relative to this greatest remaining resource of our country. At the November meeting Geo. S. Myers, Postmaster of Portland, and Col. J. S. Parke, United States Army, spoke on rural credits and military preparedness, respectively. Mr. Myers' talk embraced the systems that prevail in Europe for extending credit facilities to tillers of the soil, together with

hints as to a plan that might prove feasible in the United States. The speaker has spent much time in research work on this new phase of banking and spoke with authority. Colonel Parke did not offer any suggestions as to steps the United States should take in a military way. Rather, he confined himself to outlining the methods of defence prevailing in foreign countries, particularly the citizen soldiery in vogue in Switzerland. For December Russell Lowry of the Federal Reserve Bank of San Francisco has promised to address us.

A campaign for new members resulted in an increased membership of fifty-one.

SACRAMENTO

By Harlan Fowler

At our regular monthly meeting held on October 28th the graduates of the Institute received their certificates from Prof. Frank Tade, our instructor in law. Fifteen students were the happy recipients.

Although the new books on banking are not yet to be had our two classes in banking are determined to go ahead with the old set of books. When they do appear the banking classes will then equip themselves with the latest edition.

The fifteen post-graduates are now well on the way to take up the broader and serious study of the banking and business world. Instead of having a debating and forum class for these students, as formerly established, the forum section will be an entirely separate one. The debating section will still continue and anyone may join, but the forum will consist of only officers and graduates. In order to maintain a higher standard for the students in the banking and law classes it was decided to organize the forum, thus restricting membership in this manner.

In keeping with our last year's policy, the Sacramento Chapter will again give a show. The show last year proved to be a successful enterprise, and on December 2d we shall present another musical comedy.

We are very proud to announce that George Lorenz, one of our most valuable and hard-working members of the Chapter, has been promoted to assistant cashier of the Peoples Savings Bank. Mr. Lorenz is chairman of the Educational Committee and president of the Forum.

Walter E. Holmes has also recently been elected assistant cashier of the Capital National Bank. Mr. Holmes has been very active in Chapter work. He was a delegate to the Richmond convention, Chapter president in 1914-15 and is now chairman of our Ways and Means Committee.

SALT LAKE CITY

By William T. Patrick

The law class under Mr. Holman has proven very successful. The two sessions a week are well attended.

Over one hundred attended a dinner dance given by the Chapter at the Commercial Club, Saturday evening, November 6, 1915.

SAN FRANCISCO

By E. V. Krick

The regular features of our work are progressing most satisfactorily. The interest and enthusiasm of the earlier months are still strikingly apparent among our men. There is a noticeable "snap" to the work this year, which is most gratifying.

Another of our certificate holders has been given preferment. Prosper L. Wolf was recently elected assistant cashier of the French American Bank. He has been associated with this institution for a number of years, and during this time has been constantly interested in the educational work of our Chapter. We congratulate him in his new position and are glad to see the work of another Institute man recognized.

Our Chapter has this year arranged for a number of talks and addresses to be given by our members during the winter. The schedule has been worked out in conjunction with the Board of Education and entails lecturing before social center districts throughout our city.

F. C. Mortimer, cashier of the First National Bank of Berkeley, one of our past presidents, opened the winter's work with a lecture before the John Swett Social Center on the night of November 10th. His subject, "Money—Its Nature and Functions," was presented in a very able manner and was well received.

The forum night this month was devoted to discussion of the topic, "History of English Banking." This subject was the first of a series which the forum will consider this year and which give promise of being very interesting and instructive. D. W. Henderson of the Savings Union Bank and Trust Company and L. W. Jenkins of the Humboldt Savings Bank were the speakers of the evening.

On the evening of November 16th a dinner was held for the combined Spanish classes at the "Castilian Restaurante Espanol." The dinner afforded the students their first opportunity to make practical use of a new language. The evening was devoted to instruction by the Spanish teacher, entertainment features and a general good time.

The real treat of the year so far came to the members who gathered on the evening of November 17th to listen to John L. McNab deliver his lecture, "The Footsteps of the Empire." The magnetic personality of the speaker, combined with an intensely interesting subject, held his listeners spellbound. Mr. McNab introduced his topic as "a few garnerings from the remnant of a once magnificent library" which he gathered as a youth. He then proceeded to draw word pictures, depicting scenes in and around Babylon prior to its fall. He traced the rise and the fall of the Persians, the Greeks, the Macedonians, the Romans, and describing briefly the dark ages and marches of the Crusaders, and brought us down to our own day. With rare art centuries of history were compressed into a brief evening.

His final plea for the saving of our country from sharing the fate of decadent nations was tremendous in its appeal to the youth of the land, saying that it rests with them to harbor that spirit of love of home and

country which builds an empire and without which the mightiest empire must fall.

SEATTLE

By Lester R. McCash

The educational work of the local Chapter is well started. Approximately seventy-five men are enrolled in the first year class. This class meets every Tuesday evening in the Chapter club rooms, and is under the charge of Professor Smith of the Economics department of the University of Washington. Preceding the regular class work a dinner is held at one of the local cafes and the diners addressed by some authority on financial affairs. Edwin Selvin, financial editor of the *Post-Intelligencer*, addressed the first gathering on November 16th.

The Forum promises to be a success this year. Prof. Edward McMahon, of the History department of the State University, has been engaged to deliver a series of lectures on the financial history of the United States, and the work is proving very popular.

The classes in public speaking have not as yet been organized, but they will be in a short time.

SPOKANE

By J. C. Alston

The second open meeting of Spokane Chapter was held on Friday evening, October 23d. It was well attended.

W. H. Winfree, president of the Spokane Title Co., gave a highly interesting talk on "Land Titles." Mr. Winfree's revelations helped many whose ideas on the subject had before been vague and uncertain.

J. H. Tatsch read an instructive paper on the "Origin and Development of Foreign Exchange."

November 19th was the occasion of the first inter-bank debate of the season. The subject was: "Resolved, That the City Managed Form of Government Is Superior to the Commission Form." The debate was won by the affirmative. This side was represented by F. F. Van Liew and F. H. Piper of the Old National Bank.

J. W. Bradley, of the Old National Bank, read a paper on the "Resources and Development of Alaska," which contained some interesting facts.

Music was provided by the Spokane Eastern Quartette.

ST. LOUIS

By John V. Keely

"On to 500," is the battle-cry of the St. Louis Chapter, and from appearances this will be no hard task, as the St. Louis bank men are being readily convinced that the Chapter needs them, and they need the Chapter. Never in the fifteen years of our existence has there been so much enthusiasm shown by the boys of the Chapter, the average attendance of the Law Class has been over one hundred, and the Forum Class is popular.

One of our members, Richard O'Toole, formerly of the Mercantile National Bank, has joined the Foreign

Legation class of the National City Bank of New York. L. C. Bryan, of the Boatmen's Bank, has been appointed a member of the National Publicity Committee.

Our old friend George E. Allen paid us a visit for a few hours last week.

It has been decided to drop the banking class this year, owing to the fact that the text-books are being revised and no definite date can be set for their completion; several of the members have suggested that a public speaking class be formed in its stead. It will be acted upon by the Board at the next meeting.

MINNEAPOLIS

By Carrol H. Rose

The second monthly dinner meeting of Minneapolis Chapter, which was held October 28th, was well attended. Dr. C. A. Prosser, director of the Dunwoody Industrial Institute, who was the principal speaker of the evening, outlined the work of that school in a highly interesting manner. For the Dunwoody Institute Minneapolis is indebted to William H. Dunwoody, who was one of the foremost citizens of the city. He was financier, merchant, miller and philanthropist. At his death he provided in his will for the building of a great industrial school where the youth of Minnesota might be educated free in the useful crafts and trades, such as printing, cabinet-making, automobile repairing, machine-shop work and electrical work. Mrs. Dunwoody at her death in the following year left her entire estate to the school, increasing the endowment until now it exceeds five million dollars. The Institute is the largest endowed school of its kind in the country outside of the Pratt Institute of New York, and although it is the youngest school of its kind, its enrollment is exceeded only by that of the Pratt Institute.

"Through an arrangement with employers of the city," said Dr. Prosser, "it is possible for a graduate of the school to start working in the trade he has studied at a wage equal to that of an employee who has been working at the trade for two years. We guarantee our product and if the work of a graduate is found to be unsatisfactory after a trial of three months we take him back for further instruction. A diploma is given only after he has proven successful at his trade."

Explaining the need for such a school Dr. Prosser said: "Children are continually dropping out of school after finishing the eighth grade. They have no business asset, do not know what they are fitted to do, and do not know what they want to do. Employers no longer want to be bothered with apprentices, and boys no longer want to serve as apprentices. Minneapolis was built up by crude manufacturing businesses, but in the future the trades will demand trained artisans. In the evening we are endeavoring to teach the technical side to persons

having a broad experience in the trades. We will try to make Minneapolis the best artisan city in America."

Two more Minneapolis banks have recognized the value of the educational work of the Chapter and agree to refund the tuition fee to their employees who successfully finish the work in any of the classes. They are the First & Security National Bank and the Northwestern National Bank, the largest banks in the city. It is hoped that eventually all the Minneapolis banks will adopt this plan.

Our next dinner meeting has been designated "Ladies' Night" and the Entertainment Committee has been given full charge of the arrangements. When this was done once before it proved very successful, and members are looking forward to another evening when they can show their wives and lady friends what the Chapter is doing.

UTICA

By D. M. Williams

The Utica Chapter have enjoyed three lectures on negotiable instruments and an adding machine contest during the month of November. The program for December includes a debate between members representing national banks and trust companies on the question, "Resolved, That National Banks Should Be Allowed Trust Company Privileges." This promises to be a debate which will gain the interest of all the bank men in our Chapter and the men who are to participate are all working hard to make this worth while.

SYRACUSE

By R. B. Porter

The work of our Chapter is divided as follows: The class in law, under the direction of Dean Walker, of Syracuse University, the Forum under the leadership of Professor Roman, of the University, and a debate scheduled with Utica Chapter.

The interest in the law class and the Forum is very good notwithstanding the fact that the attendance is noticeably smaller than has been the case in the past. Our educational committee has succeeded in making a program so complete that every member with the ambition of doing something may have no trouble in finding the opportunity. Two prizes of \$20.00 each are offered by prominent bank men for the best paper of 3,000 words on the following subjects: "Cutting Down Overhead Expense" and "The Effect of the Great European War upon Local Industries."

Utica bankers and Syracuse bankers have always shown a mutual interest. The Utica Chapter is to debate with the local men upon the subject, "Resolved, That National Banks Should Be Given Trust Company Privileges."



MEMBERSHIP CHANGES

California	Chico	Bank of Chico in liquidation.
	Coalinga	Bank of Coalinga transferred to National Bank of Coalinga.
	San Francisco	Marine Trust & Savings Bank changed to Marine Bank.
	Wasco	Bank of Wasco succeeded by Producers Savings Bank.
Florida	Fort Lauderdale	Dade County Bank changed to Broward County Bank.
Georgia	Toceca	First National Bank closed.
Louisiana	Merryville	Peoples Bank out of business.
Massachusetts	Boston	Mutual National Bank succeeded by Metropolitan Trust Company.
Michigan	Avoca	Avoca Bank succeeded by First National Bank.
Minnesota	St. Paul	Capital Trust Company changed to Capital Trust & Savings Bank.
Nebraska	Sutherland	Sutherland State Bank succeeded by Farmers State Bank.
Nevada	Austin	Bank of Austin changed to Lander County Bank.
New York	New York	Joseph S. Marcus & Sons succeeded by The Bank of United States, Harlem Branch.
	Warsaw	Bank of Warsaw out of business.
Ohio	Lodi	Exchange National Bank in voluntary liquidation.
Oklahoma	Mangum	First State Bank consolidated with City State Bank as Guarantee State Bank.
	Mannsville	First State Bank in hands of State Bank Commissioner.
	Tonkawa	First State Bank succeeded by Tonkawa National Bank.
Oregon	Bend	Deschutes State Bank in voluntary liquidation, membership transferred to Central Oregon Bank.
	Portland	Merchants National Bank in liquidation.
South Dakota	Madison	Banking House of Mackay Brothers changed to Security State Bank.
Texas	Arlington	Citizens National Bank closed.
	Cisco	Merchants & Farmers National Bank closed.
	San Antonio	State Bank & Trust Company succeeded by State National Bank.
Wisconsin	Durand	State Bank of Durand converted to First National Bank.

NEW AND REGAINED MEMBERS FROM NOVEMBER 1 TO 30, INCLUSIVE

Arizona	Metcalf	State Bank of Metcalf.
	San Simon	San Simon Valley Bank.
Arkansas	Bearden	Farmers & Merchants Bank.
	Pine Bluff	National Bank of Arkansas.
California	Sacramento	California Savings Bank.
	San Francisco	Campbell Heath & Company.
	Ukiah	Commercial Bank of Ukiah.
Colorado	Brush	Farmers State Bank.
Connecticut	Hartford	Colonial National Bank.
Delaware	Dover	Peoples Guarantee & Trust Company.

Florida	Fort Pierce	St. Lucie County Bank.
	Miami	Southern Bank and Trust Company.
	Milton	The Chaffin Bank.
	Monticello	Bank of Monticello.
Georgia	Bronwood	The Farmers Bank (Regained).
	Hartwell	Hart County Bank.
	Valdosta	Southern Bank & Trust Co.
Illinois	Danville	Commercial Trust & Savings Bank.
Iowa	Shelby	Shelby County Savings Bank.
Kansas	Alden	Alden State Bank.
	Burr Oak	Burr Oak State Bank.
	Lawrence	Lawrence National Bank.
	Mitchell	Farmers State Bank.
Kentucky	Covington	Latonia Deposit Bank.
Maine	Eastport	Eastport Savings Bank.
Massachusetts	Boston	Massachusetts Trust Company.
	Boston	Massachusetts Trust Company, 238 Huntington Avenue Branch.
	Boston	State Street Trust Company, Massachusetts Avenue and Boylston Street Branch.
	Randolph	Randolph Trust Company.
Michigan	Muskegon	Union National Bank.
Minnesota	Goodhue	First National Bank.
	Parkers Prairie	State Bank of Parkers Prairie
	Sauk Center	First State Bank.
	Windom	First National Bank.
Missouri	Appleton	Appleton Bank (Regained).
	Freeman	Bank of Freeman.
	Iberia	Bank of Iberia.
	St. Joseph	First Trust Company.
Montana	Sidney	Yellowstone Valley National Bank.
Nebraska	Gering	First National Bank.
New York	New York	Bank of United States, Harlem Branch.
	New York	Salomon Brothers & Hutzler.
	Pulaski	Peoples National Bank.
North Carolina	Chadbourn	Bank of Chadbourn (Regained).
Ohio	Cincinnati	Liberty Banking & Savings Company.
Oklahoma	Sharon	Sharon State Bank.
	Pond Creek	First State Bank.
	Wynnewood	Southern National Bank.
Oregon	Cloverdale	Nestucca Valley Bank.
Pennsylvania	Philadelphia	State Bank of Philadelphia.
South Dakota	Hammer	Farmers State Bank.
Texas	San Antonio	Federal Bank and Trust Company.
	Galveston	South Texas State Bank.
Virginia	Elk Creek	The Farmers Bank of Elk Creek.
	Roanoke	American National Bank.
	Victoria	Virginian Bank of Commerce.
Washington	Tenino	Citizens Bank of Tenino.
West Virginia	Spencer	Traders Trust & Banking Co.
Republic of Panama	Colon	Bank of the Canal Zone.
	Panama	Bank of the Canal Zone.

