

JOURNAL

OF THE

AMERICAN BANKERS

ASSOCIATION

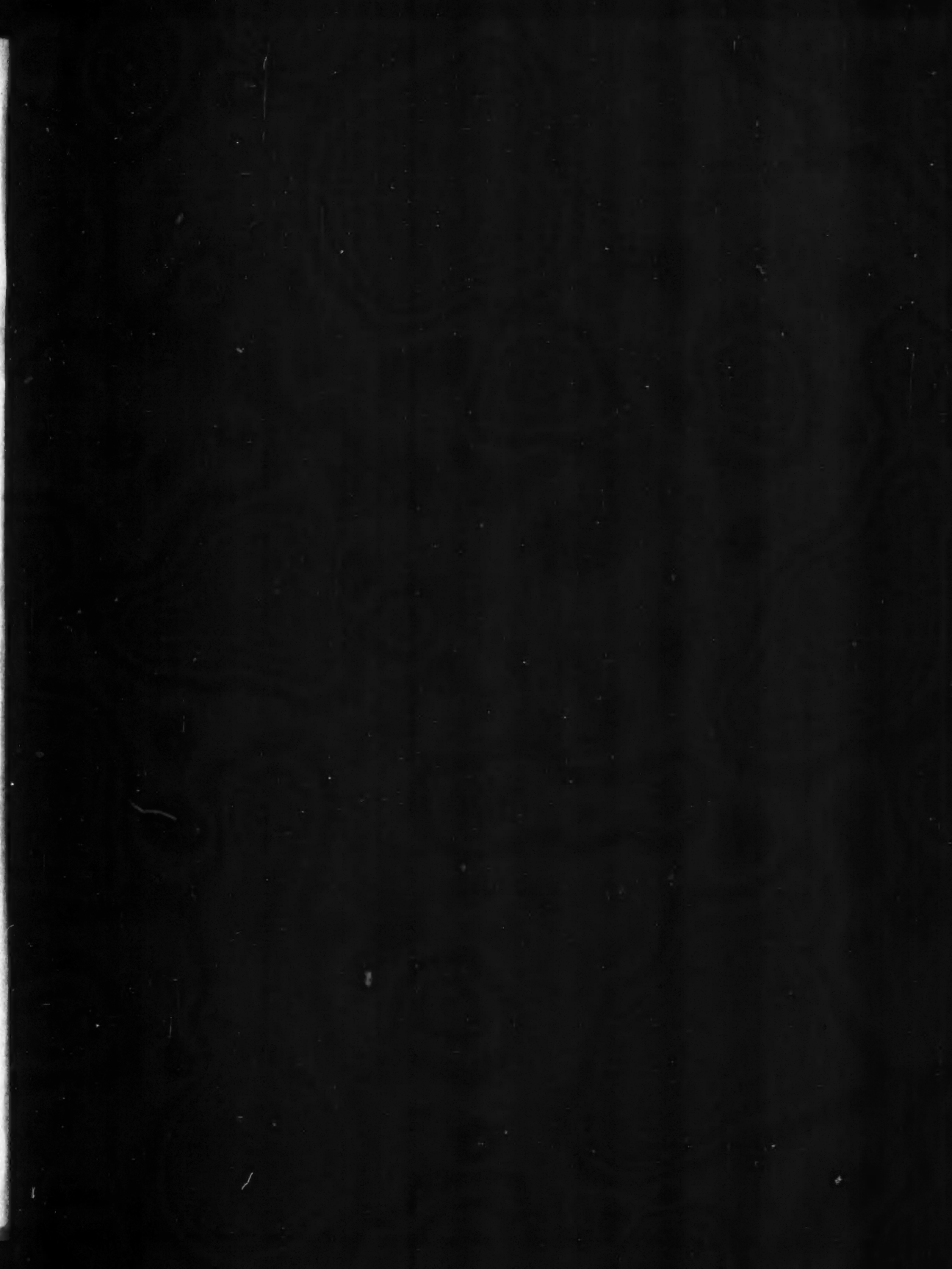


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TOPICS OF THE MONTH

THE FIVE PER CENT. TARIFF CASE

AS a means of encouraging the carriage of imported goods in American bottoms, the Underwood Tariff Act provides that goods so carried shall be entitled to a discount of five per cent. from the specified rates. There is a saving clause in which account is taken of treaty obligations. In the administration of the act there is a strict application of the five per cent. discount to goods imported in American ships. This ruling was contested and the Customs Court has decided that the "most favored nation" provision shall apply. It is promised that the case will be appealed and that the Supreme Court of the United States will finally adjudge the matter.

Without considering the fiscal features or the refunds that will probably run into many millions if the decision of the Customs Court is sustained, the case is interesting as an index of the manner in which lawmakers operate. It is by no means the first case of the kind. When the Dingley law was under consideration reciprocity was held to be the "hand maiden of protection." The framers of that law, in order

that there might be opportunity for rate concessions, made the rates imposed on imported merchandise higher than would otherwise have been the case. Their argument was that these high rates were justified because of the intention to negotiate treaties with all the trading nations. As a matter of fact, President McKinley appointed John A. Kasson a commissioner to negotiate reciprocity treaties, and Mr. Kasson negotiated a large number, which, in due course, came before the United States Senate for ratification. It is a matter of history that these treaties to the number of fifty or more were pigeonholed and never ratified. There have been politicians unkind enough to assert that reciprocity was made the excuse for higher rates and there was never any intention of ratifying the treaties.

When the Payne-Aldrich bill was under consideration in Congress the country had forgotten its lessons in reciprocity. We had progressed to a more scientific economic measure which was referred to as the "maximum and minimum" tariff. As this theory was originally promulgated it contemplated the specification of

two tariff rates, the lower of which was to be in ordinary use while the higher one could be imposed against merchandise from nations which discriminated against goods of American manufacture.

In the application of the "maximum and minimum" provisions it was decided, however, that the maximum, not the minimum, rates should be in common use. The President was authorized to put the minimum rates into effect by proclamation. The proclamations came slowly at first and usually followed the making of diplomatic representations in which attention was called to treaty obligations. Before a very long time had elapsed it was found that the provision was so disagreeable to the nations with which we traded that there was likelihood of discriminatory laws being enacted against this country. Thereupon the President made what may be called a sweeping proclamation by which the maximum tariff schedules were practically repealed.

The tariff laws of the United States have almost uniformly contained a provision giving preference to goods imported in American ships, but these provisions have never been of any importance because of the nullifying influence of trade treaties. It was apparent from the beginning that the five per cent. discriminatory rate in the Underwood tariff would run counter to treaty obligations. The result is therefore not surprising and it is a fair prediction that the decision will be sustained by the Supreme Court.

FOREIGN TRADE AND PROSPERITY

Measuring prosperity by the bulk of foreign trade is a popular pastime. It is a common assumption that the development of foreign trade and particularly its attempted development by some artificial means such as the making of treaties, the establishment of steamship lines, or the extension of banking facilities will bring this business into ready-made existence. Just at present the field is a fair one for speculative effort. It is possible to compare conditions this week with those of last week, but comparison with the same week last year is valueless. There is, of course, profit in the manufacture of war munitions, and while this kind of business is impermanent it is not to be ignored. The jubila-

tion which follows an announcement of the placing of orders for war materials signifies as well that we have idle plants which can be given up to the manufacture of such merchandise, as that there is a new kind of business.

In considering the matter of foreign trade it is always well to remember that it has never yet amounted to more than one per cent. of domestic trade. It has its place in the trade scheme and is entitled to all the attention it has recently received, but it is an error to consider that the prosperity of a country can be properly measured in terms of export and import. A discomfiting bit of information is that, despite the war orders and despite the inability of the belligerent nations to supply products, the foreign trade of this country is far below what it was in the preceding fiscal year.

INTER-DISTRICT CLEARINGS

No development of the Federal Reserve system by virtue of regulations adopted by the Reserve Board has greater importance than that which provides for the inter-district collection of checks. The plan which is soon to go into effect attests the difficulty which attaches to a strict adherence to the spirit of the law. The Federal Reserve Board was designed as a supervising and regulating body with none of the horrid and hated functions of a central bank; the Reserve Act provides, however, that the Federal Reserve Board "may at its discretion exercise the functions of a clearing house for such Federal Reserve Banks."

The clearing of checks, which would be a simple problem for a central bank, is a difficult one under the regional system. It was solved by the plan of a gold settlement fund and is described in another part of this issue. The committee which was charged with the duty of devising a practical plan whereby the Federal Reserve Board could act as a clearing house for the Reserve Banks devised one which it is said in its report had the advantages a central bank would afford with none of the political objections. The statement was deleted by the censors.

What is important now is that the Reserve banking system be allowed to develop out of experience and study with no regard whatever

to objections based on misinterpreted political tradition. The gold settlement fund plan is therefore significant as well as interesting and important. In operation it will simplify and unify the scheme of domestic exchange. It may be revolutionary and it will doubtless meet opposition. It will not come to perfection in an instant, but its promoters have no doubt that it is so economically sound and so practically efficient that it will not be long before it becomes a fixed factor in the banking business. It will give the banks in the Reserve system an advantage over those out of it, and it may hasten some hesitating State bank to a decision. But whatever its influence in this way and regardless of the favor or disfavor with which it is received, it is a progressive step.

MANUFACTURERS ON BANKING

The committee on banking and currency of the National Association of Manufacturers reported the results of its investigations last month and suggested changes in the Federal Reserve Law. The committee suggested that the Association take an active part in promoting the following changes in the Reserve Act:

1. The abolition of the unlimited legal tender power given to silver dollars so that our monetary system be based absolutely on gold.
2. The abolition of the useless term "lawful money." No money which is not lawful is supposed to circulate and there is no use in maintaining a discrimination in theory.
3. The consolidation of all note issues into one only, emanating directly from the Government through a Federal Reserve Bank and guaranteeing it with the same reserves that are guaranteeing today the different classes existing.
4. The establishment of a Central Reserve bank owned and controlled by the Government, but operated by co-operation of all banks; this bank to have one branch in each State instead of the 12 Federal Reserve Banks, and as subsidiaries of each the clearing houses now existing, of which all banks could become members without discrimination.
5. The unification of all banking laws into one only.
6. The extension of the power of acceptance given to banks for domestic purposes also.
7. To suppress the system of cash discounts, except when based on the regular rates of interest for advance payments.
8. To substitute accepted drafts or signed notes for the present system of open accounts in domestic business.

9. To fix the rates of discount at the Federal Reserve Banks in accordance with the prevailing rate of interest in each center.

10. To establish one or more American banks for foreign trade.

The views of business men in regard to the banking system and banking customs are always pertinent and interesting, but the suggestions here made must cause some astonishment among those who are familiar with the difficulties encountered in securing the enactment of the new Reserve Law. The first three suggestions embodying the abolition of the legal tender power of silver dollars, the abolition of the term "lawful money," and the consolidation of all note issues into one only involve difficulties so great that, desirable as they may be, they are not to be thought of as a performance instantly achievable. The provision for the retirement of the bond-secured circulation in the Reserve Act will effect the retirement of the National currency in twenty years. Before the bond-secured currency has disappeared there is no doubt that the question of the abolition of the silver dollar will have been taken up for consideration. It would be no small achievement if the patchwork currency system of the United States could be transformed into gold and reserve notes in, say, thirty years.

It is rather surprising to find the committee of the Manufacturers Association urging issues of notes directly from the Government and presumably Government obligations. This question was threshed out during the discussion of the Federal Reserve Act. That the Federal Reserve notes are obligations of the Government was a triumph for Mr. Bryan and those who have convinced themselves that notes are money and that the issue of money is a sovereign power of Government. Practically it is of little moment that the Federal Reserve notes are such obligations. But theoretically they are under the law a contingent liability which the government should not assume unless it also makes provision for payment.

The suggestion that there be a central bank owned and controlled by the Government is a pet obsession of the prairie statesmen who also wish to have the Government issue currency against the security of farm land. This is not

to say that many men who have studied the problem of a central bank have erred in arriving at the conclusion that the establishment of such a bank is a proper discharge of a Government function. The trend of sentiment in the country, however, seems to be the other way. It is difficult to see in what respect a Government-owned bank would be an improvement. There are cogent reasons why the Government should not engage in the banking business or utilize its power of taxation to secure capital to be used for such a purpose. Some of the reasons are of such recent demonstration as not to require mention. It is also obvious that to consider State lines as marking the boundaries within which branch banks should be established is an error. Trade takes no account of State boundaries and it would be obviously absurd to give Montana the same banking equipment as New York.

The suggestion for the unification of all banking laws touches on a matter which is now being studied in the light of developing experience. It may eventually be decided that every bank should be empowered to transact all kinds of banking business, but it does not yet appear that this is desirable or necessary.

In the body of its report the Manufacturers committee gives figures to show that the reduction in reserve requirements released \$464,000,000, which is obviously an error. The Comptroller of the Currency subscribed to a similar illusion. Like the Comptroller, the Manufactur-

ers committee forgot that under the old system reserves were pyramided and there was a fiction in the total of approximately \$400,000,000.

Other suggestions made by the committee affect business customs which it is well within their power to correct. The whole report is a new demonstration of the complexities of banking problems. Seven months after it was placed in operation the Federal Reserve Act seems to be more of a legislative miracle than it was at the time of its adoption.

IS "TRUST BUSTING" ENDED?

The decision of the United States Circuit Court of Appeals, in which it is declared that the United States Steel Corporation is not a monopoly in restraint of trade, is a matter of great importance in the business world. What is a matter of greater importance, however, is that this decision probably marks the end of the era of "trust busting." It is no longer possible to sell magazines on the platform of hostility to trusts, or to get elected to office by promising to end every sort of business that can be classed as in the category of monopoly. There will be general satisfaction if the suit against the Steel Corporation is the last of its kind, and it will be still more satisfactory if the business disturbers will cease marching up and down Mississippi Valley promising to break all monopolies after first placing every big business in that class.



OFFICIAL BADGES

There are a few of the official badges left over from the Richmond Convention which will be sent to such of our members as would like them, on request in writing to the General Secretary. Until the supply is exhausted they will be sent out in the order in which applications are received.

JOURNAL FOR AUGUST, 1908

The August, 1908, issue of our monthly publication is out of print. We have use for this issue in responding to frequent inquiries for bound volumes.

Members having a copy of this issue which they do not care to preserve should send same to us. This action on their part will be much appreciated by us and 25 cents per copy will be paid for those sent in.

VICE-PRESIDENT FOR PHILIPPINE ISLANDS

Manuel Maria Rincon, Manager of the Bank of the Philippine Islands (Branch), Iloilo, P. I., is Vice-President of this Association for the Philippine Islands, having succeeded Alfredo Rocha.

DISTRICT OF COLUMBIA BANKERS

The District of Columbia Bankers Association will hold its annual meeting for election of officers this year on the third Monday in October (October 18th). The members do not feature their sessions as other associations do on account of the entire membership being composed of Washington city bankers.

PAN-AMERICAN CONFERENCE AND THE PROSPECT OF DEVELOPING TRADE WITH SOUTH AMERICA

President Wilson, in his opening address to the Pan-American Financial Conference, said: "If we are to have true commercial and intimate commercial relations with one another, I am perfectly clear in my judgment that, if private capital cannot soon enter upon the adventure of establishing the physical means of communications, the Government must undertake to do so."

In a preliminary statement Secretary McAdoo said: "One of the most serious questions confronting the Republics of this Continent is the utter inadequacy of transportation facilities since the outbreak of the European war." This question of transportation and the government ownership of ships was under continuous discussion during the week the Conference was in session. The administration was severely criticised for what was designated as the use of the Conference for the revival of the government-owned Ship Bill.

What influence the Conference may have had will not be known until some of the numerous suggestions have been reduced to plans for action. The real outcome will be found in whatever work is done in the future; it is not contained in the immediate announcement growing out of the proceedings. The delegates from South America made no concealment of the fact that they were greatly pleased. They were divided into groups to which delegates from the United States were also attached, and each group made suggestions and recommendations. It was noticeable that these recommendations were almost uniformly for some variation in the laws of the United States or some action on the part of business men or bankers in the United States, the result of which would be to the marked advantage of the country from whose delegates the suggestion came. If there was doubt before that the ideas of these delegates were based almost entirely on helpful action to be extended to them by this country there was no doubt of it after the Conference had come to a close. It has been previously stated and restated that every country in South and Central America was in a condition of severe industrial and financial depression. No doubt was left that the European war had emphasized this condition of depression, but it was also made plain enough that even had there been no European war conditions in South America would have been far from satisfactory in a business way. It is no criticism of the earnestness of these delegates to say that they would naturally welcome overtures from a country whose financial strength is unquestioned and which just now has a National bank surplus of \$736,000,000. According to Frank A. Vanderlip, "this means that the National banks have a perfectly enormous capacity for expanding their loans. On their present reserves we can, I think, expand our loans about \$3,000,000,000." Mr. Vanderlip continued: "So, if we find ourselves in a state of unpreparedness for war, we find ourselves at least in a state of preparedness for extending our banking facilities abroad. This is a thing to be considered seriously in building up our relations with the Central and South American countries."

In this connection the great problem is the furnish-

ing of capital to South America for use in the development of the unquestioned resources of the several countries. Unless this is done South America is going to have extreme difficulty in continuing the production of the commodities which it has been supplying. There is not one of the 19 countries represented which is not in need of capital.

Capital does not seek investment in countries which do not consider the payment of interest on their obligations as a matter of first importance, and of whose political stability there is even a shadow of doubt. There were some discomfiting statements in the press even while the Conference was in progress as to defaults on obligations by the countries represented. The suggestion of Secretary Bryan in this connection was most interesting. Needless to say it was also surprising. In its June circular the National City Bank of New York said of Mr. Bryan's suggestion:

His premise was that the development of several of the South American republics was greatly hindered by the lack of credit which would enable those countries to borrow on any reasonable basis. He cited instances of governments paying 8 per cent., and he could, of course, have cited many such instances, and some where the rate would have been even higher. He very properly regarded this lack of credit and consequent lack of National initiative as a great loss, not alone to the countries and the people of the nations being considered, but quite as well to the people of the United States.

This interchange of credit was to be accomplished by taking from a South American nation its obligation bearing 4 per cent. interest and giving such country a like amount of United States bonds bearing 3 per cent. interest. Our Government, however, instead of making the 1 per cent. difference in interest rates, would devote this to the amortization of the South American bonds, which by investing the sinking fund at 3 per cent. would be accomplished in 47 years. * * *

The idea is unusual, and the Secretary of State advanced it with some hesitancy, apparently with misgivings that his hearers might regard it visionary, but it is no farther removed from the authority of precedent than some of the recent measures of David Lloyd-George which, while creating astonishment at first, have since caused the entire financial community of England to do him homage and to protest against his retirement from the position of Chancellor of the Exchequer. In fact, the interchange of credit that Great Britain is now making with her allies furnishes a complete example of what Mr. Bryan proposes. While we are not facing the same kind of an emergency as confronts Great Britain, it will not be denied that the establishment of friendly and mutually helpful relations between the United States and the other countries of this hemisphere is an end in which this country is tremendously interested, and for which we can afford to lend definite and tangible assistance.

In connection with this suggestion of Mr. Bryan one will fail to note the apparently radical change in his views. He has always been a strong and outspoken opponent of "dollar diplomacy." It will not be forgotten that Mr. Bryan refused to countenance an international loan to China in which American banking houses were to participate. If there is anything clear in his suggestion it is that entering into such financial relations with any neighbor republic would impose upon the United States the same obligation to maintain its

political stability as it now confesses in the case of Cuba. In fact, the bringing to realization of any of the plans or suggestions for co-operative action between this country and any of the republics represented would give us an interest in the affairs of our neighbors which would make such a policy as "watchful waiting" impossible or ridiculous. It is a pertinent argument that the United States would not be the only republic of the western hemisphere so interested in the affairs of a neighbor. If the suggestions of mutual helpfulness approach the point of general interdependence, then all or practically all of the republics would be interested in the affairs of each of them and periodic revolutions would become insufferable because they would be discountenanced by all the others. In the past the United States has been so much stronger in every way that suggestions emanating from this country as to the internal affairs of another might properly be viewed with suspicion. This attitude toward the United States would no longer be possible. Not only would a suggestion that a revolution was a general annoyance be heeded, but there is also room for belief that the smaller republics would consider a bond an obligation which involves the payment of interest at the time specified in the coupons.

EXTENDING CREDIT FACILITIES.

The furnishing of capital is a matter quite apart from the extension of credit facilities such as are necessary to the completion of a practical trade arrangement. South American trade with the United States, the same as South American trade with other countries, has been financed through London. English bankers have extended the long-time credits which were necessary to trading transactions with a country so remote. One result of this custom has been that the annual balance which Brazil has against the United States as the result of the coffee trade has been used to cut down the balance in our favor against England. Exchange arrangements and the financing of this trade direct involves an extension of American banking facilities and a better knowledge of the credit situation in South America. The National City Bank of New York has paved the way by establishing three branches in South American cities. It is understood that this bank is also making an extensive credit survey in South America, and will eventually have in its files the information which is necessary to the development of South American trade. As yet no other bank has ventured into the foreign field. The expense is necessarily great and the profits are far in the future.

A suggestion at the Conference was that there be an amendment to the Federal Reserve Act which will permit several banks to join in such a venture. It has been frequently stated that these extensions of banking facilities were indispensable to the development of the South American trade. Economically speaking, trade develops banking facilities instead of banking facilities developing trade. There has been no trade with South America and there is now none of bulk sufficient to warrant the establishment of branch banks in South or Central America. The purpose is to develop a trade in some measure by artificial stimulation. Perhaps it is more correct to say that the purpose is to revive and divert to this country a trade which Europe can no longer maintain. In the consideration of plans, how-

ever, it must not be forgotten that the dislocation of the world's business is temporary. The United States has an opportunity to secure and develop this trade with no fear of competition so long as the European war lasts. It must certainly prepare, if any steps at all are taken, to hold that trade in the face of any competition that develops, and there is no doubt that competition will develop. These matters are most capably described in the address made by Paul M. Warburg, which is printed in this issue.

LIBERALIZING THE LAWS.

Another matter which developed at every turn of the discussion in Washington bears on the laws of the United States. In the matter of custom house regulations and the petty annoyances and expenses incident to the present methods of handling commerce this country is as great an offender as any of the others. The traditional method of dealing with an importer of goods into the United States is to treat him as if his specific purpose in buying goods abroad was to defraud the revenues. The making and certifying of invoices, the appraisement of merchandise, and the penalties and forfeitures imposable, demand that the importer be not only an expert in the goods he handles but that he understand the red tape of the revenue laws and custom house regulations. The operation of the administrative features of the tariff act not infrequently eats up all the profit that has been counted on. The laws of the United States effective in regard to both imports and exports were formulated with no idea whatever of facilitating such business. The suggestion of a joint commission to the end that these laws might be harmonized and simplified was one of the most pertinent made at the Conference. Such a task is one of almost monumental proportions, and it involves radical departures from customs of long standing. It is even more important than the establishment of an arbitration board for the hearing and determination of disputes between the merchants of the different countries.

There were plentiful indications of a new and more serious interest on the part of the United States than has ever before been evidenced when trade with neighboring republics was under consideration, but it must not be considered that this trade is going to be had for the asking. In some measure every suggestion made at the Conference will have to be acted upon. The supposition that the war abroad was going to leave the trade of South America as a ripe plum to be had for the picking will have to be forgotten. It is only by serious effort and by the amendment and liberalization of many of our laws that we will come to the point where our trade with South America will increase to proportions that make it worth while.

SUGGESTIONS AS TO SHIPPING.

In no division of the affairs discussed at the Conference was this more apparent than in regard to shipping. The proportion of business done by American bottoms is greater now than it has been in many years, and it is reported that every American ship yard is busy. However, under laws of this country in force and to come into force presently, the future for American ships is far from bright. It is paradoxical that the administration which is responsible for the Seamen's Bill should be so desirous of increasing the quantity

of American tonnage that it desires to have the Government purchase and operate shipping lines. If these laws are not changed it is not unlikely that American ships will operate at a loss and only by the use of the taxpayer's money can the business be artificially stimulated. The South American delegates were not backward in recommending more liberal laws; in fact, the suggestion was made in terms that the laws governing the operation of ships in the western hemisphere should be as liberal as those of any nation with whose ships there will be ultimate competition. The question of ship subsidies was discussed in all its bearings, but in none of the suggestions was there anything of practical value

until the business of owning ships has been made attractive to private capital.

Never before has the prospect of close commercial relations with South and Central America been so promising as it is at present, but it is still a matter of promise only. Unless the suggestions advanced at the Conference are made the subject of speedy action and there is an earnest effort to devise laws for the encouragement and not for the discouragement of this trade, the war will be over and there will be a lapse to the conditions under which competition from Europe made it impossible for the countries of the western world to trade with each other.

FINANCIAL POLICY FOR PAN-AMERICA

PAUL M. WARBURG.

In August, 1914, six European powers went to war. The anomalous consequence of this event was that all American nations were thrown into a condition of acute financial and commercial disturbance.

Would it have been possible to avoid so disastrous an effect upon nations not directly involved in this struggle and thousands of miles removed from the seat of battle? And, furthermore, by what means may we hope to prevent, in the future, the recurrence of such fatal conditions?

These questions are deserving of the most serious consideration by this Conference. The problem affects us all. We have all, whether in the northern, central or southern division of the Western hemisphere, suffered together. It is of the most vital importance that, if at all possible, a proper remedy be found.

Our sufferings originated in disturbances of three kinds—of shipping, of trade and of credit.

These three phases of our economic life are so closely interrelated that a breakdown of one immediately affects the other. A collapse of credit must interrupt trade, and, therefore, shipping. On the other hand, disruption of shipping and trade necessarily disorganizes credit, crippling, as it does, the banking machinery which rests on the fulfilment of contracts, remittances and payments based on commercial transactions.

When, in the face of untoward events, actual experience affords a definite standard by which to judge cause and effect, it seems easy, and often gratuitous, for the critic to state what steps should have been taken. Retrospect is easier than forecast! Still, it is only by such analysis that we may hope to avoid similar mistakes in the future.

Reviewing, then, last Summer's events upon these assumptions, we may say that disruption of shipping, trade and credit in the countries of this hemisphere might have been less disastrous if, instead of relying exclusively upon Europe for their shipping and credit facilities, the American nations had begun in time to develop and organize their own large resources.

It is not within the purview of this address to elaborate the most interesting and important question what American nations might have done in the past or what they should do in the future in order to secure their own transportation facilities independent of those of others. Confining ourselves to the subject of credit

and banking, we may say with confidence that had the United States enacted and put into operation three years ago its Federal Reserve system not only could our country have weathered the storm without such far-reaching disturbances but we should have been in position to save our American sister republics much loss and inconvenience.

In order to make this point clear, it may be profitable to summarize briefly last year's events as now a chapter of the world's financial history. When the war began England occupied a most advantageous financial position. She had been acting as the banker of the entire world, particularly by her system of acceptance credits, thus financing a vast majority of transactions involving the importation and exportation of goods between nations. The Hindu, the Chinaman, the Japanese, the Australian, the African from Cape Colony to Egypt, the Canadian, the South American, the citizen of the United States and those of a large number of the European states, all had used the English credit market.

But when the war broke out all countries were suddenly called upon to pay their debts and to finance their trade from that time forward wherever they could do it to their best advantage. The consequence of this situation was that England found herself in the position of a creditor calling upon the entire world for the payment of debts due at a time when shipping and trade were disorganized. It was, therefore, impossible within the short time granted for such payment to liquidate obligations by the shipment of merchandise, even though it had been previously sold under contract. At the same time a British debt to foreign countries was shielded by a moratorium, so that the foreigner who happened to be in debt to England, yet unable to collect there any sums due him, found himself able to settle his own debts to that country only by buying sterling remittances at most exorbitant prices or by shipping actual gold. British stock exchanges had been closed, and even those foreign debtors who owned British securities or securities which normally found a market in England, by the sale of which, therefore, they might have created balances with which to pay their debts, found themselves debarred from using these assets for the liquidation of their obligations.

Every country was thrown into confusion. Not

one remained sufficiently undisturbed to be able to help the others.

An English writer, now officially connected with the British Exchequer, has written a very able and interesting book wherein he sums up the condition then created as follows:

"London was so strong that it did not know how strong it was. Consequently, being a little flustered by the suddenness of the outbreak of the war, on a scale that mankind had never seen before, it made the mistake of asking its debtors to repay it, not the thousands of millions that it had lent in the form of permanent investment, but the comparatively trifling amount—perhaps 150 or 200 millions (pounds sterling)—that it had lent in the shape of bills of exchange drawn on it, and other forms of short credits. Thereby it put the rest of the economically civilized world, for the time being, into the bankruptcy court, and so, finding that none of its debtors could pay, it thought itself obliged to ask for time from its own creditors at home."

It is not for us to criticize England for having acted in the premises from a merely selfish point of view. This may well have been her duty. Her vital interests were at stake, and in view of the great catastrophe which she had to face it was necessary that she should muster from all parts of the world, not only her military, but also her financial reserves. Nor is much to be gained by insisting, with the British authority already cited, that some of the drastic measures which England found it necessary to take, and even her moratorium, might have been avoided if, immediately upon the beginning of the disturbance, she had been adequately prepared to issue without hesitation an ample supply of emergency currency.

We must not blame England; we must blame ourselves for having carelessly placed ourselves in this economically dangerous position.

FINANCE OUR REQUIREMENTS AT HOME.

Without venturing to analyze the problems of other countries, we may say with reference to the United States that the responsibility for having been caught tied hand and foot when the crash came is in two respects our own. As already stated, we should several years ago have reorganized our financial system so as to keep our gold under our own control and so as to enable us to finance with our own resources our import and export transactions. We should, furthermore, have avoided borrowing abroad when we could have financed our requirements at home, even though foreign aid was had at a slight advantage in rate.

The chief lesson, however, which all American nations will have to learn from last year's experience is that it is unwise for the world to place its financial dependence upon any single nation; and that those who can afford to do so, as for instance the United States, should from this time on adopt a policy of greater reliance upon their own resources. Those countries which cannot rely exclusively upon their own resources should adopt a policy of dividing the risks of financial dependence as evenly and widely as they possibly can.

Financial dependence expresses itself in two ways: First, in the short-term credit granted to individuals, and, second, in the long-term and corporate credit, particularly that granted to governments.

Dealing first with the problem of individual credits, the United States may be profoundly grateful that just at this time its new banking system has been established. The day of the opening of our Federal Reserve Banks marked the advent of our financial independence. We are now able to finance our own imports and exports by the use of American acceptances. More than that, we are in a position to finance the trade of other nations and to play, in this respect, the part of an international banker that has heretofore been played almost exclusively by England. While it is true that Germany and France, during the past generation, have begun to finance a large portion of their own trade by acceptances of their own banks, the bulk of the business has heretofore been handled by England. There is no doubt that, upon the establishment of peace, there will be a tendency on the part of many nations to emancipate themselves in this respect, and we may add, with profound conviction, that it is precisely in this field that the United States will be destined to play an important future role.

We realize, of course, that it will be an arduous task to procure for our American acceptances the same standing in world markets as is now enjoyed by those of nations that have been in the field for generations past. Their commercial and financial relations are well established, and bankers in foreign countries are more familiar with the names of European than of American acceptors. Moreover, the avenues that lead toward European establishments for the sale or discount of acceptances are clearly mapped out and at present of readier access than the new paths leading to those of the United States. It is difficult to change well-established banking habits. We are well aware, therefore, of the fact that it will be necessary for this country to render the utmost possible assistance in order to facilitate a development so eminently desirable for the future protection of these large continents. This can be done in several ways:

First, by the readiness of our banks and bankers to enter this new field in a spirit of liberality and patriotism. They must be thoroughly imbued with the thought that it is necessary for the financial independence of their country and for the security of our American sister republics that import and export transactions touching this country should in the future be financed by ourselves.

PROVISIONS FOR ACCEPTANCES.

It may be opportune to point out in this connection that the Federal Reserve Act gives ample powers for the development of this business. Member banks may accept and Federal Reserve Banks may discount bills arising out of transactions based upon the "importation or exportation" of goods. The Federal Reserve Board has been advised by its counsel that the words "importation" and "exportation," as used in this connection, need not be construed as confining these transactions to importations or exportations into or from the United States, but that these transactions may also cover shipments between foreign countries. We shall be in position, therefore, to serve as bankers for our American sister republics, not only in their trade with us, but even in their trade with others.

In order to develop this new avenue of American banking, we need not even draw upon the means here-

tofore employed for the financing of our own problems. The United States has a gold stock amounting to the phenomenal sum of about \$1,890,000,000, of which, so far, only \$300,000,000 in round figures have been concentrated in the Federal Reserve Banks. The Federal Reserve Banks need only continue the process, just begun, of substituting Federal Reserve notes for the gold and gold certificates now in circulation in order to gain control of a vast additional financial power which now lies idle. We may confidently expect, therefore, to find ample means to handle this business by the simple process of perfecting our organization and assembling our idle gold.

But, in order to compete successfully in foreign markets, we must have, not only banks and bankers of undoubted standing, able and willing to undertake these acceptance transactions, but also discount rates that compare favorably with those of competing nations.

The fact that, within a few months, our banks have been able to accept in the aggregate an amount reported to be in excess of \$120,000,000 permits the conclusion that we have begun on a proper basis and with success. But the test will come when peace shall have been restored and when we shall have to make special efforts to maintain and strengthen our position. It will be one of the functions of the Federal Reserve Banks to assist in the establishment of discount rates for these acceptances low enough to render them effective in securing business.

"FORWARD RATES" OF DISCOUNT.

There is one other signal service that Federal Reserve Banks can render in this respect; that is, to facilitate the quotation of so-called "forward rates." A bank in a foreign country, when buying a dollar acceptance, must be assured of the rate at which the bill will be discounted when it reaches our country. On this rate it will largely depend whether the foreign shipper will use his European or his American credit facilities. The Federal Reserve Banks are fully alive to the importance of this question, and I may state on behalf of some of the largest of these banks that they will be prepared to give the greatest possible assistance by adopting a liberal policy in quoting such forward discount rates, good for a certain date or for delivery upon the arrival of mail by a given steamer.

The Federal Reserve Board and the Federal Reserve Banks have not yet reached any conclusions as to the most efficient method of fixing and transmitting these rates; whether they should be announced locally only at the office of a Federal Reserve Bank or whether it would be helpful to cable them to the main banking centers in foreign countries. It is hoped that both our guests and our bankers will consider the matter and give us the benefit of their suggestions.

The Federal Reserve Act, for the first time since the establishment of our National banking system, enabled National banks to open branches in foreign countries. Important branches have already been opened and others are soon to follow. It is hoped that the law may be amended in the near future so as to still further facilitate the establishment of such branches. It is generally felt that these direct connections with foreign countries will tend towards the development of better knowledge and understanding of local conditions and problems and the greater intimacy necessary for the

development of cordial and mutually satisfactory business relations.

The vast powers of the Federal Reserve Banks will enable them to play a most important part, and they will do all they can to assist in facilitating the growth of a truly American banking system, ramifying throughout our entire hemisphere.

The policy thus outlined as applicable to individual transactions should also apply to corporate and government financing. It is a source of weakness when a nation depends too largely on one single or several closely interrelated foreign markets, no matter how attractive may be the terms upon which its obligations may be placed there. For, as experience has shown, such securities can be thrown back upon their makers at a time when it is least convenient. If, during a critical period, one single market or group of markets become unavailable, while obligations of a debtor country mature or requirements must imperatively be met, the debtor country finds itself in a most precarious condition.

It is true that one country cannot prevent another from buying its securities, nor would it be advisable hermetically to seal one stock exchange against securities quoted on another for fear that a closing of the one might otherwise force the closing of the other. The advantage of free international interchange is such in peace that we must be willing to bear the disadvantages resulting therefrom in time of war. But every country, in order to be safe, must be prepared for such an eventuality. The financial structure of a country consists of three main parts: funded long-term securities and the organization for marketing them, viz., the stock exchange; individual short-term credits and the organization for marketing them, viz., the discount market and the deposit banks; and, finally, the note issuing Reserve banks. Every country must be prepared, in grave emergencies, to see the first of these three organs crippled and the stock exchange closed, but there must be such provision that the business of the country shall in that case be carried on by the other two units. In that respect, last August found us still unprepared. The fact that our stock exchange loans became unavailable crippled us. Our Federal Reserve System has since been opened, our organization is now established and any future catastrophe will find us well equipped.

There is no doubt, however, of the vulnerability of any country if too large a volume of its securities be held in one other country. It is certain that the United States will be in a safer condition if, in the future, when placing the securities to be issued for the development of our own properties, we rely to a larger extent than in the past upon our own markets. It is important to state this principle emphatically, even though for the next few years to come it be not likely that Europe could act as a large purchaser of our securities, owing to the stupendous amount of bonds issued by the various European Governments, the extraordinary inflation of currency existing in almost every part of Europe, and the appalling loss of property suffered by those countries. Indeed, it may well be expected that, from now on, the United States will not only have to rely largely upon its own resources for its internal development, but that we shall be called upon to provide means for absorbing the securities previously placed in Europe but now returned to us. It is impossible to predict how far

the death struggle now going on in Europe must proceed before an end is reached, and we cannot, therefore, form any estimate of the extent of the destruction of property and prosperity. But, even at this juncture, it must be apparent to every student of the problem that borrowing nations will have to husband their resources and move slowly in the further development of their capacities until the power of some of these warring nations to save shall have recuperated and European money shall again freely seek opportunities for investment abroad. Upon the degree to which destruction continues will depend the role we eventually shall have to play, not only with respect to our own affairs, but with respect to those of others. No doubt there will be a strong desire on the part of other countries, and particularly of the American nations, to ask of the bankers of the United States governmental and corporate credits.

FOREIGN LOANS PLACED IN UNITED STATES.

Some large foreign loans, aggregating more than \$200,000,000, have been recently placed as a beginning. Our country will be prepared to render very substantial service in this respect. But we must bear in mind that, in order to create a broad market for bonds of foreign nations, it is not sufficient that our bankers alone be familiar with these countries. It is necessary that the investor, from his own knowledge, have confidence and a sympathetic understanding concerning the borrowing country's conditions. In other words, in order to open a wide market for foreign securities, there must be intimate business relations with the countries which offer such securities for investment. The belief is often expressed that foreign loans create foreign business relations. This is true, but it can be said with equal force that foreign business relations are conducive to the conclusion of foreign loans. I may state with confidence that the United States will prove a strong market, growing in importance from year to year, for the loans of those foreign countries with which we entertain intimate business relations.

Europe has done much in developing both the northern and the southern parts of this hemisphere. European banks and bankers have been our staunch and loyal friends in the past. It would be unbecoming in us, and disloyal at the same time, were we to forget this or to

attempt to profit by their misfortunes. But our own growth and development and the unhappy fate that has overcome Europe have combined to bring us to a momentous turning point in our economic history. Our own steadily increasing weight and Europe's relatively weakened condition mean that the new world must in the future lean less heavily on the old.

There is no difference of conservative opinion that the United States does not aspire now to take the place of Europe's leading financial powers. Our own field of operation is still too vast to enable us, or to render it even desirable for us, to become the world's bankers at this stage of our own development. But the safety of all countries—and we include England among their number—demands that if again the latter should find herself forced to call upon her debtors for instant payment there should be at least one country strong and independent enough to shoulder a substantial portion of the burden.

The development of all American nations lies in the same direction, though there will be a difference in degree. It must be the aim of the United States from now on to move rapidly toward entire financial independence. It must be the aim of her sister republics so to divide the credits needed for their further development that the temporary breakdown of one creditor country will not seriously embarrass them. They will enjoy the greatest degree of safety in this respect if their creditor nations are geographically, politically and economically separated from one another as far as possible. So that in case one should become involved the other may be expected to remain unaffected thereby. Though in normal times closely connected with Europe, the American continents ought to be so organized as to form a distinct unit in times of emergency—a union whose transportation and credit systems will remain unbroken even though all Europe should go to war.

An American union of this kind will prove of the greatest economic advantage for all nations concerned. If such a union be thought desirable it must, however, be forged and riveted every day of the year. If it is to stand the test of time and stress it must be a structure of gradual growth, carefully planned and consistently developed, and built upon a safe foundation.



LAKE MOHONK CONFERENCE ON INTERNATIONAL ARBITRATION

The twenty-first Conference on International Arbitration was held at the Lake Mohonk Mountain House, Mohonk Lake, N. Y., May 18th to 22d, inclusive. These annual conferences are in the nature of a large house party, all of the guests and delegates being the guests of Mr. and Mrs. Daniel Smiley for the period of the Conference, and those attending are made to feel that they are the personal guests of the hospitable host and hostess. Some 300 attended this year.

The importance of the conferences and the presence of distinguished citizens of the United States make these annual meetings memorable events, and only those who attend can realize fully the keen interest which is evidenced by the entire assembly. In addition, the

European war had a tendency to emphasize the interest in the Conference this year.

There were four business sessions, which brought out a full attendance, while the afternoons available were given over to the guests for the purpose of enjoying the magnificent drives in which the estate abounds. The program was made up of special topics on the various phases of the possibilities of bringing about peace and international co-operation for permanent peace courts, or leagues, after the present war is over. Addresses were made by prominent men of affairs from the universities, Army, Navy, Government and courts of the country and business associations, and in some instances general discussions followed. John Bassett

Moore, as President of the Conference, presided over its sessions.

The permanent office of the Conference is at Mohonk Lake, N. Y., where Daniel Smiley presides, with H. C. Phillips as Secretary.

The action taken by the Conference, which was unanimous, is as follows:

PLATFORM.

The Lake Mohonk Conference on International Arbitration, although meeting this year in circumstances that tend to discourage the hopes entertained by many as to the maintenance of general peace, particularly among the larger and more powerful nations of the world, reaffirms its faith in the beneficence of the measures for the advancement of which the Conference was founded. The present war daily furnishes convincing proof of the superiority of those methods over the resort to violence.

The Conference deems it to be opportune, in the midst of the present convulsion in Europe, to call attention to what has been accomplished since the Napoleonic wars, in:

- (1) The development of international law.
- (2) The growing sense of obligation and duty between nation and nation.
- (3) The increasing interdependence and co-operation among nations.
- (4) The wider application of the Federal principle, and
- (5) The tendency toward broad alliances or groupings for the accomplishment of international ends.

We express our gratitude to the President of the United States for steadfastly maintaining the neutrality of our Government and for asserting, with firmness, clarity and restraint, the rights of our people as citizens of a neutral nation.

We invite the thoughtful attention of all peoples and nations seeking a substitute for war to a consideration of the three following proposals, as a basis for joint action by any two or more powers, to be binding on the signatories:

1. All justiciable questions arising between the signatory powers, not settled by negotiation, shall be submitted to a judicial tribunal for hearing and judgment both upon the merits of the case and upon any question of jurisdiction.
2. All non-justiciable questions arising between the signatories, and not settled by negotiation, shall be submitted to a Council of Inquiry and Conciliation for hearing, consideration and recommendation.
3. Conferences between the signatory powers shall be held from time to time to formulate and codify rules of international law, which shall thereafter govern in the decisions of the judicial tribunal mentioned in the first proposal.

DECLARATION OF BUSINESS MEN.

The delegates appointed by business organizations to attend the Twenty-first Annual Mohonk Conference on International Arbitration declare their belief that disputes between nations can and ought to be justly settled through the proceedings of international tribunals instead of through war, with its attendant horrors and waste.

Men engaged in manufacturing, mercantile and financial business realize fully the derangement of industry and commerce resulting from the present great European war, not only affecting the non-combatants of the warring countries, but also the people of all neutral nations. They realize that this derangement of business is causing immense hardship to the great bulk of our people and to the inhabitants of all countries. They realize that the enormous cost of carrying on this war and the paying for its results will be a gigantic load upon an enfeebled posterity, and that the burden must be shared in the long run by all people, however remote and however innocent.

They believe that the great end of international endeavor should be the establishment of justice among the nations; that, as a powerful agency for

the creation and dissemination of public opinion so essential and necessary to the establishment of an international condition whereby struggles between nations may become impossible; that nothing is more useful or effective than a universal and general international system of arbitration, co-operation and agreement between all the nations, great and small, and that, therefore, they heartily indorse the efforts of this conference and all other movements that seek the promotion and accomplishment of that object.

They believe in the formation of a code of international law through the action of international conferences; in the establishment of a permanent international court of justice to settle disputes between nations, and in the establishment of an international police force to execute, if necessary, the decrees of the court.

They believe that great difficulties stand in the way of the accomplishment of this program, but they also believe that it is bound to come; that it may at last come suddenly, and they hope it will be the immediate outcome of the present terrible war.

They believe, however, that it is the part of wisdom at present for the United States to be fully prepared to defend itself from possible injustice and aggression, and they advocate the strengthening of our military and naval forces so as to effectively protect our coast.

That, realizing the unspeakable sufferings of thousands of their fellow-beings attributable to the horrors of this war, and appreciating the great benevolence, charity and generosity of their fellow-citizens throughout these United States in their efforts to alleviate that suffering and distress, bespeak for the many worthy and efficient organizations seeking to accomplish that object the continued sympathy and support of all citizens.

While deprecating the use of force except as a last resort to defend the rights of their countrymen and humanity, they appreciate to the utmost the delicate and trying position in which the President of the United States is now unfortunately placed and desire to do all that lies in their power to uphold and support him in his patriotic and humane efforts to lessen the suffering of so many of their fellow-men, they earnestly bespeak for him the cordial and hearty sympathy and assistance of all citizens, regardless of section or party.

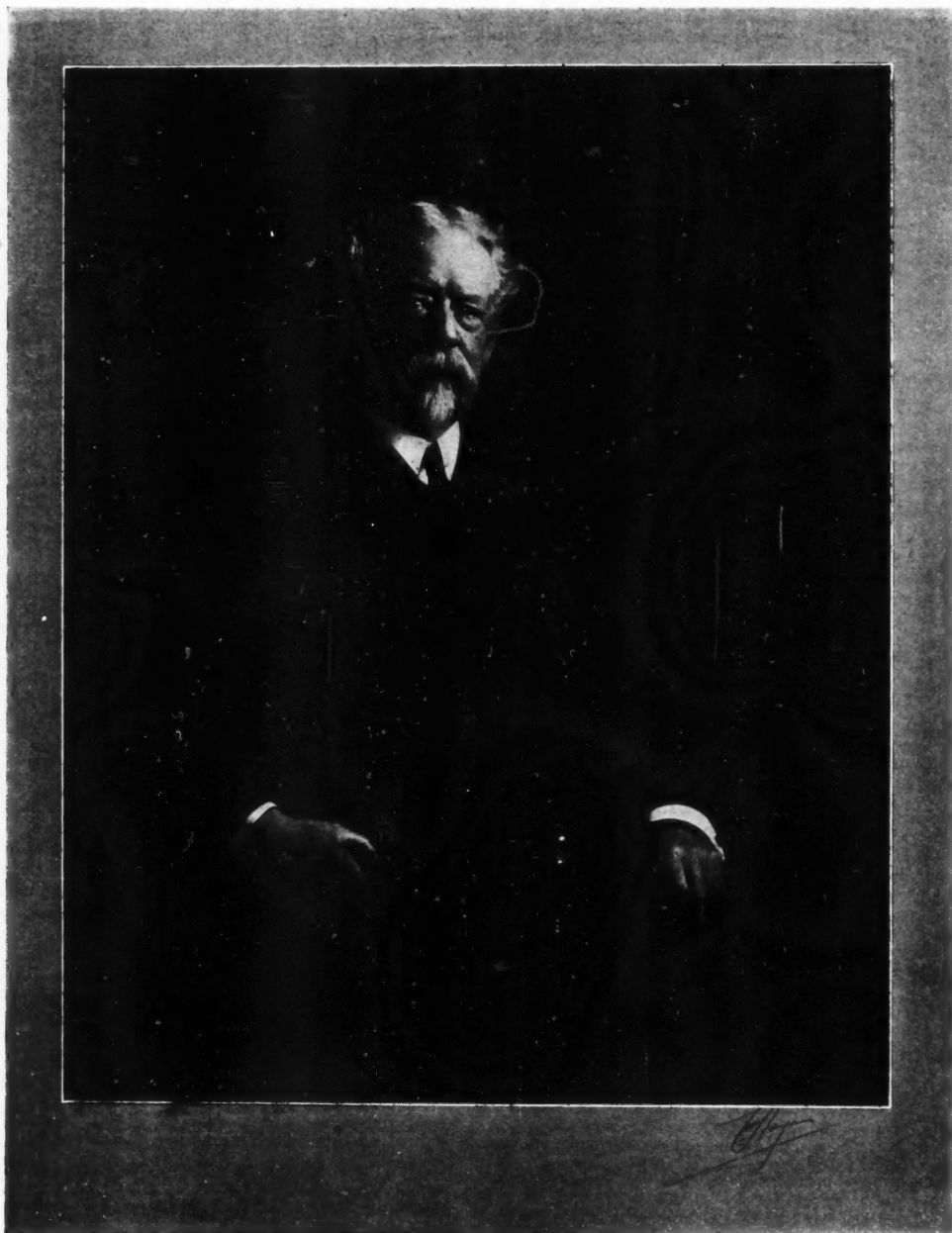
The prominence given to this Peace Conference is justified, for two reasons:

First.—The universal interest, which is shared by bankers, in eventually bringing about permanent peace.

Second.—The fact that several bankers of the country attended and took part in this Conference, and in many instances have been regular attendants for some years.

Bankers in attendance were: J. Elwood Cox, President Commercial National Bank, High Point, N. C.; Alexander C. Wood, President, Camden Safe Deposit & Trust Company, Camden, N. J.; Joseph G. Brown, President Raleigh Savings Bank & Trust Company, Raleigh, N. C.; John Joy Edson, President Washington Loan & Trust Company, Washington, D. C.; Herbert Langlois, Director Standard Bank, Toronto, Canada; Hon. Frank J. Le Fevre, President Huguenot National Bank, New Paltz, N. Y.; Hon. C. A. Pugsley, President Westchester County National Bank, Peekskill, N. Y.; Fred. E. Farnsworth, General Secretary American Bankers Association, New York, N. Y.

Lake Mohonk, its splendid hotel and environs, cannot be excelled in this country for attractiveness, and the pleasure of the delegates to the Conference is largely enhanced by this and the genuine hospitality of Mr. and Mrs. Daniel Smiley.



GEORGE H. RUSSEL

EX-PRESIDENT GEORGE H. RUSSEL

The death of George H. Russel at his home in Detroit on May 17th has bereft that city of a constructive force which contributed largely to its progress and development. At the time of his death Mr. Russel was the president of the Peoples State Bank, an institution which had attained to large proportions and a commanding position under his direction. The bank was the outgrowth of a combination of the State and the Peoples Savings Banks made in 1907. Mr. Russel became president of the former in 1889, when its resources were less than two million dollars; this sum had been multiplied by 25 at the time of his death.

Mr. Russel was not only a banker. His ability as an organizer and his passion for constructive work found early demonstration. At 16 he was a foreman in the employ of the Detroit & Lake Superior Iron Company, and four years later he was secretary and treasurer of the Hamtramck Iron Works. He passed through the financial vicissitudes of the panic period following the war without becoming discouraged, and in 1878 he organized the Russel Wheel & Foundry Company, which has grown to large proportions and of which he was vice-president at the time of his death. He was also vice-president of the Great Lakes Engineering Works, a director of the Union Trust Company of Detroit, president of the First Commercial and Savings Bank, Wyandotte, Mich.; director of the Hamtramck State Bank, treasurer of the Detroit United Railway, and a director of the American Car & Foundry Company. These posi-

tions attest only in part the activities of Mr. Russel. He was intensely interested in the civic welfare of Detroit and was the first president of the Park and Boulevard Commission which undertook the development of a park system now famous.

Despite his varied interests and connections Mr. Russel was, however, primarily a banker. To the business of banking he brought natural qualifications tempered by a keen knowledge of commerce and commercial usage. Tolerance of opinions and a broad sympathy were conspicuous assets. He had, moreover, an acquaintance which extended far beyond the ordinary range, and an unlimited capacity for making friends and keeping them. The bank he managed grew rapidly and at the same time he grew in the banking world to conspicuous proportions. He became President of the Michigan Bankers Association, President of the Detroit Bankers Club, and, in final recognition of his qualities of leadership and ability, President of the American Bankers Association.

No one can review the busy life of this busy man without reading a lesson in constancy, integrity and steadfastness of purpose. He was not concerned with luck or opportunity. He made his way in the face of difficulties and was always firm in his adherence to constructive policies. Banking with its many points of contact with business was the field most attractive to him and to banking he gave his best work to the very end of his career.

RESOLUTIONS OF PEOPLES STATE BANK DIRECTORS

"The death of George Howard Russel occurred at his home on Monday, May 17, 1915. Mr. Russel was 67 years of age, born in Detroit, November 29, 1847.

"He did not fail

Like drooping flowers that no man noticeth,
But like a great branch of some stately tree,
Rent in a tempest and flung down to death."

"He was not born to a life of ease. At the early age of 16 he was placed upon the threshold of the future to hew his own way. No college door was swung ajar that he might be educated, and it may be said his first schooling was a battle with the world in a struggle for a living. He was an apt pupil, he learned the fundamentals of correct living—probity, honesty and industry—and squared his life to no other standards. The story of his life is an open book, every page one of inspiration. His fellow-men knew him as he was—a great-hearted, noble man. Children loved him because he loved them. His friends admired him because 'His life was gentle, and the elements so mixed in him that nature might stand up and say to all the world, this was a man.'

"Years added experience to his knowledge without abating his mental vigor. In his business life he softened the sometimes necessary asperity of his action by the kindness of his manner, and often gained by persuasion what would have been lost by persistence.

"While charged with the executive management of

a large bank, and with varied business interests, he was never too busy to give a word of counsel and advice. Thoroughly democratic in his manners, he was at all times approachable, and always ready to lend a sympathetic ear to the troubles of others.

"'His worth is warrant for our grief.'

"Generous beyond his means, helping others help themselves; always hopeful, busy, just, cheerful; a model citizen; always thinking of the public good, feeling that what he had he held in trust; loving nature, familiar with the poetic side of things; touched to enthusiasm by the beautiful thought, the brave word and the generous deed, full of magnetism, friendly in manner, candid and kind in speech; modest but persistent; loving and gentle in his family; physically fearless; intellectually honest; thoroughly informed; hospitable, unselfish, sincere and loyal—he was indeed a splendid replica of the noblest work of God.

"The record of a generous life,

Runs like a fragrant vine around his memory.'

"The city and State suffer great loss by his death. In the business world where he has for years been so prominent, his imprints are many. It may be well said of him that 'The wheels of industry sing his praises, the white wings of commerce salute him.'

"As president of the Peoples State Bank he has served a greater number of years than any other presi-

dent of a Detroit bank. He became president in 1889, serving continuously as such until the time of his death—a period of over 25 years.

"In 1891 Mr. Russel was elected President of the Michigan Bankers Association; in 1898 President of the Detroit Bankers Club, and in 1898, at the annual meeting of the American Bankers Association, held in Denver, was elected to the high honor of President.

"He left a record behind him of which any man might well feel proud, and his name is a household word among the bankers of the United States.

"His untimely death robs the Detroit Clearing House Association of one of its strongest and most loyal members. Multiplied words will not enrich the universal respect and affection he commanded in life; formal phrases of condolence cannot assuage the sorrow that

is so deeply felt by his family and friends. And to his bereaved family we extend our most heartfelt sympathy.

"Heaven calls us different ways.'

"So we wither, one by one, and drop into the sear and yellow leaf, and relentless fate blows us into the dark valley of the Shadow of Death. Out of the sight of the memory of the living and useful, but with faith ever green in our hearts, we shall live and bud again in a spring beyond the skies.'

"Then let us stretch our hands in darkness,
And call our loved ones o'er and o'er;
Sometimes their arms shall close about us,
And the old voices speak once more.'

"William Livingstone, Julius Haass, George E. Lawson, Committee."

RESOLUTIONS OF THE DETROIT CLEARING HOUSE

The directors of the Peoples State Bank and of the Detroit Clearing House adopted resolutions, which follow:

"In the death of its president, George H. Russel, the Peoples State Bank has sustained an inestimable loss, and to each and all of its directors his death brings a sad sense of personal sorrow.

"Mr. Russel was the president of this bank for more than 25 years, and until his death, May 17, 1915. During all of those years its welfare and advancement were ever his first thought. There was no task so great, no burden so heavy that he was not at all times glad to assume it, if, by so doing, he could further its interests, and its directors well knew how largely its success has been due to his unflinching efforts. Of striking presence and pleasant address, great analytical powers, deliberate in his conclusions, of unswerving integrity, and of great courtesy of manner, he embodied in himself all the characteristics of a great banker. Although but little known in financial circles when he first assumed the presidency of the bank, it was but a few years until he had become a widely recognized authority in the banking councils of the nation and of the State.

"To his fellow-directors he always brought the utmost courtesy and consideration, and by his justice and kindness endeared himself to the officers and employes

of the bank. To many of the patrons of the bank he was not only its president but a trusted friend on whose wise counsel and advice they could always rely.

"The bank was always next in his heart to his family, but his life's work was much broader in scope and comprised many interests besides those of banking. Beginning life as a manufacturer he established the large manufacturing business which bears his name, and as officer and director of many other great and important enterprises he rendered valuable service, not only to the business world, but to the public. He was foremost in civic affairs, and he gave freely of his time and means for the public weal.

"His private life was unspotted and unselfish, and his domestic relations were ideal.

"A true friend, a great-hearted and public-spirited citizen has passed away, but the impress of his life's work will long remain.

"His untimely death comes as a great shock which fills us with profound sorrow, and as a tribute to his memory the directors of this bank order these minutes spread upon the records and an engrossed copy thereof sent to his family.

"Committee: Henry Ledyard, Chairman; Henry M. Campbell, James T. Kenna."



TRAINING MEN FOR SOUTH AMERICAN BUSINESS

In the process of extending banking facilities in Latin America the banks which have undertaken that task have found it absolutely essential to train men specially for the purpose. For example, the National City Bank of New York, which already has five branches in operation, maintains its own "consular corps," the personnel of which is scattered throughout the principal countries and which reports commercial conditions thoroughly. This organization is constantly being added to, but the bank is handicapped to a great extent by lack of the proper kind of young men to take up this work.

It is difficult to get the type of young American men who are willing to practically expatriate themselves and go to the Latin American countries for indefinite periods.

In its offices in New York the bank is teaching a number of such young men to speak Spanish, and giving them a rather thorough course in international banking, foreign exchange, etc. All employes are provided with their luncheon in rooms for that purpose in the bank building, and this particular class are required to use nothing but Spanish for their ordinary conversation. Sixteen are in this class at present.

Arrangements for Transportation to Seattle Include Many Special Tours

Railroads Will Run "De Luxe" Trains from All Sections of the Country to Accommodate Bankers Attending the Convention—Unusual Opportunities for Sight Seeing in Addition to Standard Points of Interest.

The matter of transportation to the Seattle convention is one of such general interest to members of the American Bankers Association at this time that it has been deemed advisable to bring together in this issue of the JOURNAL-BULLETIN all the information now at hand relative to special train trips from different sections of the country. It will be noted that some of the States have sponsored tours from their own particular sections, while in a number of cases the bankers in contiguous territory will join in tours starting from a common point. For instance, the Texas bankers who attend the convention expect to join the Kansas City or St. Louis specials, while there is no doubt that each of the two roads running specials out of New York will carry many bankers from adjoining States, extending up into New England and down into the South Atlantic States.

The descriptions which follow have been made as brief as possible without omitting any essential information. It should be noted also that only about 10 weeks remain before the convention, and the best accommodations under any transportation arrangements are always made by the early comers. If mention of any special trains has been omitted, members will confer a favor by writing this office to that effect, so that proper publication may be given in the July number.

It may be stated by way of general introduction to all the special trips enumerated that the opportunities for sight-seeing in connection with the Seattle convention are unusual to a degree. Besides taking in the Yellowstone National and Glacier National parks and the Canadian Rockies on the trip out, the return journey offers unusual features in the way of two exhibitions—at San Francisco and San Diego—and a trip via the Panama Canal. It is also understood that an excursion to Honolulu may be arranged if a party of sufficient size can be brought together. There are also to be seen, in addition, such standard points of interest as beautiful Del Monte and historic Santa Barbara, in California, the Grand Canyon of Arizona, etc., all combining to offer to members of the Association the opportunity for a valuable scenic trip rarely equaled.

REDUCED RAILROAD RATES TO CONVENTION.

Special low fares have been authorized to Seattle by the various trunk lines with privilege of returning by diverse routes, and special trains will be provided from metropolitan cities. For further details regarding these trains the secretaries of the respective State Bankers Associations should be communicated with.

Reduced railroad rates will prevail throughout the country. Those contemplating attending the convention,

but who will not travel on a special train, should make inquiry of their local ticket agent as to fares and any other information which may be desired.

PENNSYLVANIA RAILROAD.

The "train de luxe" operated by the Pennsylvania Railroad is designed to accommodate bankers from New York, New England, New Jersey, Pennsylvania, Maryland, Delaware, District of Columbia and cities of the South. It is scheduled to leave New York City Monday, August 30th, at 11.04 a. m.; Philadelphia, 1.12 p. m.; Washington, D. C., 11.45 a. m.; Baltimore, 1 p. m., and Pittsburgh, 9 p. m. The itinerary provides for a route via Chicago and the Canadian Rockies, with stops at Banff, Alberta, Lake Louise and Glacier, B. C., reaching Seattle Sunday evening, September 5th.

After the convention the party will visit the Panama-Pacific International Exposition and spend four days in San Francisco. Del Monte, Santa Barbara and Los Angeles will be visited and one day will be spent at San Diego for the Panama-California Exposition. From Los Angeles side trips may be taken to Redlands, Riverside, Pasadena, Mt. Lowe and Santa Catalina Island. A day will be spent at the Grand Canyon of Arizona on the return trip, with stops at Albuquerque, Kansas City and St. Louis.

The train will be of the highest grade of Pullman equipment, electric-lighted, and in all respects a counterpart of the famous "Broadway Limited," the 20-hour train between New York and Chicago. It will be composed of Pullman parlor-smoking, dining, drawing-room and compartment sleeping and observation cars. The party will also have the free services of a stenographer, barber and ladies' maid, besides the personal attention of a special representative of the railroad.

The round-trip tickets for the tour include Pullman accommodations (one berth) and all meals in dining car when traveling on the special train; also all necessary expenses, including hotel accommodations (rooms only with bath) in San Francisco and Los Angeles. Additional charges will be made for special accommodations. The rates vary according to the point of departure, the maximum being \$310, from New York. To secure reservations a deposit of \$20 per person should be made on or before July 30th and final payment on or before August 23d.

The itinerary contemplates a stay of four days in San Francisco, a day in Del Monte, another in Santa Barbara and three days in Los Angeles and San Diego, with stops also at the Grand Canyon of Arizona, Kansas City and St. Louis. New York will be reached on the evening of September 26th.

NEW YORK CENTRAL LINES.

There will be four tours over the New York Central Lines, namely, Tours "A," "B," "C" and "D," otherwise known as the Red, White, Blue and Green sections. The Red section will leave New York Saturday, August 28th, making the trip west of Chicago over the Chicago,

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Burlington & Quincy to St. Paul, and the Great Northern to Glacier National Park, where two days will be spent in a tour of the park. The train will arrive at Seattle the morning of September 4th.

The White section will leave New York Saturday, August 28th, using the Soo Line into Canada at Portal, and thence by the Canadian Pacific Railway to the Pacific Coast.

The Blue section will leave New York August 30th, making the same tour of the Glacier National Park as the Red section, arriving in Seattle September 5th.

The Green section will leave New York September 2d for the accommodation of those pressed for time, and will go direct to Seattle without stop-overs, arriving on the morning of September 6th.

Returning, the various tours follow practically the same route, leaving Seattle Friday night, September 10th. Stops will be made at Portland and San Francisco, where three days will be spent visiting the Exposition; Del Monte, Los Angeles, Santa Barbara, San Diego, Pasadena, the Grand Canyon, etc. Return to New York will be on the evening of September 26th.

The cost of this trip varies from \$344 for Tour "D" to \$367 and up for Tour "A," according to the accommodations selected. These fares include all transportation for the entire tour, all meals in dining cars, at hotels and stop-overs as well as side trips, carriage rides, etc.; and in fact all necessary expenses except during the stay in Seattle and meals in San Francisco.

Each of the four special trains will be made up of the best grade of equipment, including club and dining cars, drawing-room, compartment and observation sleeping cars. Each train will have a valet, barber, maid and stenographer, whose services will be free.

NEW ENGLAND.

New England bankers have planned a special de luxe train over the Boston & Albany and New York Central Lines to Chicago and including a stop at Glacier National Park, in the heart of the Canadian Rockies. The train will leave Boston August 28th. Leaving Seattle after the convention, the special will follow the schedule of the New York Central tours to San Francisco, San Diego and the Grand Canyon, returning to Boston Monday, September 27th.

CHICAGO SPECIALS.

Chicago bankers have arranged three special trains. One, over the Chicago & Northwestern and the Northern Pacific, leaves Chicago on the evening of September 1st and arrives at Seattle at noon September 5th. The route will be by way of the attractive suburban towns along the North Shore to Milwaukee, thence through Wisconsin to St. Paul and Minneapolis. The rest of the trip to Seattle is over a country of varied scenery. The fare from Chicago to Seattle and Puget Sound points and return is \$62.50 by direct route, and \$80 if return is made via San Francisco, Los Angeles and San Diego.

The other two specials will be operated over the Chicago, Milwaukee & St. Paul all the way to Seattle, and over the Chicago, Burlington & Quincy to St. Paul, with the Great Northern from St. Paul to Seattle. All three trains will come together for a day's entertainment at St. Paul and Minneapolis, and again at Spokane. Members of the Michigan Bankers Association plan to

join with Chicago on one of these trains. It is also understood that the Chicago bankers will be joined by those from Indiana, Iowa and Minnesota.

A special train will leave Milwaukee at 10 p. m. August 27th, via Yellowstone Park, over the Milwaukee & St. Paul and the Northern Pacific, arriving at Seattle Monday morning, September 6th. Returning, passengers may choose their own routes.

SPECIAL TRAIN FROM MISSOURI.

The Transportation Committee of the Missouri Bankers Association has arranged with the Burlington and the Great Northern Railroads for a special train, to be known as the "Missouri Bankers Association Special." The train will leave St. Louis August 31st at 9.01 p. m., and will leave Kansas City September 1st at 10.35 a. m. and St. Joseph at 12.40 p. m. the same day. The equipment and service which the railroads purpose to furnish are to be the very best.

Arrangements have been made for a day's stop at Glacier National Park—the train arriving at the park early on the morning of September 3d. The trip in the park will be by automobile and will include a trip by steam-launch on beautiful Lake Saint Mary. Luncheon will be served at the Chalet at the head of the lake. The cost of this trip, including luncheon, will be \$8.25.

A stop will also be made at Spokane, Wash., where the party will be the guests of the commercial bodies and bankers. A similar invitation has been accepted from the bankers at Wenatchee, Wash., situated in the center of one of the principal apple districts of the Northwest.

The schedule has been so arranged that the train will pass through the beautiful Cascade Mountains during daylight, and the scenery all along the route chosen is particularly beautiful.

No special train will be used in returning and members will be free to select their own routes and choose their own time for returning. Stop-over privileges are granted on the return trip wherever desired. A round trip rate has been made from St. Louis of \$57.50, Kansas City and St. Joseph \$50, with correspondingly low rates from all other points. This rate will permit of a return journey via any direct route through Portland, Ore., and Denver, and if the delegates desire they may continue the journey down to San Francisco, Los Angeles and San Diego at a rate of \$17.50 higher. A further option is given of using the steamer line from Portland to San Francisco, and the rate quoted will include meals and berth while at sea if the steamer line be used.

The return journey may be via any of the direct routes—Southern Pacific or Rock Island Lines via El Paso; Santa Fe Lines via Albuquerque, thus enabling the passengers to make the side trip to the Grand Canyon, or the Salt Lake Route, via Salt Lake and scenic Colorado, using the Denver & Rio Grande or Colorado Midland, and any of the lines can be used from Denver.

The Atlanta bankers are arranging a trip for the benefit of the Southeastern delegates. It is planned to have special cars from Atlanta to Chicago, at which point the party will join one of the special trains going from that city to Seattle.

Ohio bankers will leave from Cincinnati, Columbus

and Cleveland on a special train Monday, August 30th, returning September 29th.

GREAT NORTHERN.

Inasmuch as a majority of the specials will follow the Great Northern route on the last lap of the journey, a few facts in connection with this route will be of interest.

Across central Minnesota—from southeast to northwest—the tracks follow through the Lake Park region, where lie Minnesota's 10,000 "lakes of sky-blue water" of the bygone Dakotahs. Across the grain prairies of North Dakota, from Fargo and Grand Forks on the Red River, the Great Northern makes almost straight westward.

At Cut Bank, in the foothills, the Great Northern begins its climb up the long east slope of the main range of the Rocky Mountains, across the reservation of the Blackfeet Indians. One thousand and ninety-one miles out from St. Paul, at an altitude of 4,785 feet, the log-built station of Glacier Park, the eastern gateway to Glacier National Park, is revealed.

The mountain land of Glacier National Park sits high up in the splendid Rocky Mountains of northwestern Montana—on and about the Continental Divide. Glacier Park's mountains stretch from the Great Northern's track all the way northward to the Canadian border, and from the reservation of the Blackfeet Indians westward to the Flathead River—mountain land that is 1,525 square miles in extent. Mount Cleveland

(10,438 feet) and Mount Jackson (10,023 feet) are the generals of a veritable army of magnificent peaks that rear from 8,000 to 10,000 feet above sea level, with their bases thickly forested up to the timber line.

Atop these mountains are 20 living glaciers that are as inspiring as the ice fields Americans have been crossing to Switzerland to see; of these the great Blackfeet Glacier has an area of five miles. Up in these high places, too, are droves of Rocky Mountain goats, deer and elk. Among these mountains are 250 glacier-fed blue mountain lakes and scores of cataracts and mountain streams. Many of nature's phenomena are within the park besides—like the Iceberg Lake, where ice cakes float the Summer through.

So well have the most important sections of the park been linked by auto-stage roads and by trails for tourists on horseback and afoot, at such strategic locations have the hotels and chalet groups of the park been placed, and so liberally has the park been equipped with auto stages, launches, saddle-horses and guides, that the tourist of Glacier Park during a brief visit may enjoy a very great deal of this national mountain land.

Wenatchee, on the Columbia, is the hub of the Wenatchee Valley, the "Land of the Big Red Apple." A generation ago this was a desert of volcanic ash, where only sagebrush grew. To-day, under irrigation, the Wenatchee Valley, from end to end, is one vast orchard that bears "big red" Wenatchee apples that are shipped even oversea.

PROGRAM FOR THE CONVENTION MEETINGS TENTATIVELY ARRANGED

While it is still too early to give the details of the business program for the Seattle convention, it is possible at this date to present the tentative arrangements in outline form.

On Monday, September 6th, the Executive Council and various committees will hold their meetings. By way of entertainment there will be automobile rides, beginning at 10 a. m., about the city and through the park system. A tea for the ladies will be given at 2.30 p. m.

Tuesday will be devoted to the Section meetings. There will be a yacht trip on the Sound at 3.30 p. m., including a visit to a big lumber mill.

Wednesday will witness the opening of the general convention at the Moore Theater, President William A. Law presiding. Addresses of welcome will be made by the Governor of the State, the Mayor of Seattle and M. F. Backus, President of the Seattle Clearing House Association, in behalf of the Seattle bankers. President Law will respond to the addresses of welcome. Entertainment for the day includes a trip to the Country Club for the ladies, with luncheon at the club at 1 p. m., and a ball and reception at the armory in the evening.

Thursday will be given over to the second and final day of the general convention proceedings. The Executive Council will meet at 7.30 p. m. Automobile rides and a golf tournament for the men at the Country Club,

beginning at 10 a. m., comprise the day's entertainment. It may be stated in passing that guests will enjoy golf privileges throughout the entire week.

Friday will be devoted entirely to a trip on fast Sound steamships to the Bremerton U. S. Naval Station, making a stop at the dry docks and navy yard without disembarking, and proceeding thence to Tacoma. Here the party will be the guests of the Tacoma bankers on a trip through the city to the suburbs. There will be music at the Stadium and then dinner, after which the party will re-embark for the return to Seattle, which will be reached about 6 p. m.

Suitable accommodations will be provided for meetings of Sections, committees, conferences, etc., and there will be ample provision for rapid registration.

POSTAL SAVINGS BY MAIL

Postmaster-General Burleson has announced an extension of the postal savings system whereby persons living in sparsely settled communities whose local Post-Offices are too small to be designated as regular savings banks, may open accounts by mail. Remittances are to be made by money order or registered mail direct to the postmaster at the banking point. Withdrawal of deposits, together with interest, may be made at any time by mail and on demand.

Recent International Gold Movements and Their Meaning

With the Turn of the Balance of Trade in Favor of This Country, Europe Had to Find Some Way of Settling Its Obligations Here—Conditions Point to Continued Inflow of Gold.

By **J. E. Rovensky, Manager Foreign Exchange Department, National Bank of Commerce in New York.**

Nations, like individuals, can settle their obligations by only three methods:—the shipment of merchandise, effecting credit arrangements, or by the payment of cash, which, in international transactions, means gold.

At the outbreak of war the belligerent nations realized that the stock of gold held by their respective government banks formed their ultimate reserve for meeting the necessities of war. The gold reserves were no longer looked upon as the basis of the commercial credit of the country, but, instead, they became one of the implements of war. Each country took steps to prevent the shipment of gold beyond its borders excepting in such amounts and at such times as seemed to suit their convenience.

A large volume of our obligations fell due abroad during the latter part of 1914 and simultaneously the usual method of payment by the shipment of cotton and wheat was cut off. We consequently found piling up against us a tremendous balance which caused gold to flow out of this country. This condition was recognized as being merely temporary, and, consequently, under the direction of the Gold Fund Committee, only a minimum amount of gold was permitted to go abroad.

Within a few months the tide turned. Cotton began to move forward and the belligerent nations began their purchase of war supplies on a tremendous scale. Under the weight of these operations exchange rates began to decline until they passed the point at which gold would usually be shipped to this country—in other words, the balance of trade turned and it became the duty of Europe to settle our claims in some form.

It had been the opinion of many that our claims would be paid by the return to this side of the American securities which are known to be held by European investors. This theory, however, has proven to be erroneous. While it would undoubtedly be to the advantage of the European governments if their citizens were to sell their holdings of American securities and reinvest the proceeds in the war loans of their own countries, developments within the last few months have shown no disposition on the part of European investors to cooperate to quite such an extent with the desire of their respective governments. European investors seem to realize that American securities are probably the best investments in the world markets of to-day and are parting with them only when compelled to do so by their own individual circumstances.

As the result of this reluctance of the European

investors to part with their holdings of American securities the balance due the United States from Europe has been continuously piling up. It has, from time to time, been partially offset by the negotiation of loans and by moderate shipments of gold. Both methods, however, have not been used to an extent sufficient to keep exchange rates above or even equal with the gold import points, which indicates that the continuous pressure exerted by our merchandise shipments to Europe are not being entirely offset by the arrangements made thus far.

There have been several gold movements between European countries that represent a partial adjustment of the international indebtedness of those countries. Russia has made several shipments of gold to England, which has had the effect of strengthening the exchange rate between the United States and Petrograd. The shipments, however, have not been of sufficient volume to prevent Russian exchange from selling at approximately 20 per cent. discount. France has made shipments of gold both to London and to the United States, which tended to reduce her foreign indebtedness, but the inadequacy of such shipments is best demonstrated by the fact that Paris exchange is to-day at the unprecedented level of 5.43½ per cent., representing a full 5 per cent. discount on French exchange.

It is certain that while the war continues America will be the most important source of supply for the belligerent nations. Their indebtedness to this country will therefore continue to increase and must be settled with one of the three forms mentioned in the beginning of this article.

Shipments of merchandise to this country are practically out of the question on account of the decreased production of the belligerent nations and their increased internal consumption. Credit arrangements may consist of one of two forms: First, the resale to us of our securities; second, the sale to us of foreign obligations.

The first method is not entirely within the power of the foreign governments and, as stated above, European investors seem to be reluctant about parting with their holdings. It is possible that this movement may be artificially accelerated by a tax levied by the foreign governments on American securities held by their citizens, but up to the present time no such steps have been taken. The second method does not seem to have much promise of success. Loans of belligerent nations have been taken in this country only on a moderate scale, and as they are not readily absorbed by the investing public the point will soon be reached where American banks will consider it inadvisable to increase their holdings of foreign government securities, which, although perfectly safe, are nevertheless an unliquid asset. The indications, therefore, seem to favor a continued inflow of gold from abroad, stemmed at times by temporary credit arrangements, or the resale of securities to us. The effect of this large increase in the amount of our gold holdings, the potentiality of which is multiplied by the operation of the Federal Reserve Act, can well be appreciated.

Reserve Act a Measure of Protection to Provide Relief from Financial Pressure

Intended to Forestall Any Breakdown of Credit
—Abstract of Address at Ashland Meeting
of Group VII., Illinois Bankers Association,
by E. D. Hulbert, Vice-President Merchants
Loan & Trust Co., of Chicago.

In discussing the Federal Reserve Act we must keep in mind what Congress was trying to accomplish by the passage of this law. No law has ever been passed by Congress for the creation of Government banks except under pressure of some very great necessity.

The first bank of the United States was organized to give the people of this country ordinary banking facilities which private capital had failed to furnish.

The second bank of the United States was organized to give the country a uniform currency to take the place of the vast amount of State bank notes which were in circulation at that time at a discount all the way from five to 20 per cent.

The National Bank Act was passed as a war measure to bolster up the credit of the Government.

The present Federal Reserve Act was passed under equal pressure, but of an entirely different kind. There was no lack of banking facilities in the country. On the contrary, more business was being done on bank credit than in any other country in the world; no fault was found with our currency, every dollar being just as good as any other dollar; the credit of our Government was the best in the world. The complaint was that periodically our machinery broke down, solvent banks were forced to suspend payment and the injury to business was so great that it became intolerable.

The Monetary Commission, with Senator Aldrich at its head, came to the conclusion that the greatest weakness in our banking system was our method of carrying reserves. That is, allowing one National bank to make a deposit with another National bank and call that reserve, at the same time permitting the Reserve bank to loan out 75 per cent. of this deposit.

Under this system our National banks were counting hundreds of millions as legal reserve that had no existence anywhere in available form. This naturally led to a breakdown whenever any general attempt was made to draw on these reserves. Senator Aldrich and his Commission fully realized this, but, owing to the almost unanimous opposition of the banks to any change in this method of carrying reserves, the Commission yielded and devoted all its efforts to devising a plan by which the penalties of this kind of unsound banking might be evaded. It was very much as though we had been periodically devastated by fires and instead of working to lessen the fire risk we devoted all our energies to increasing the efficiency of the Fire Department.

The present Federal Reserve Act strikes at the root of this evil by providing that after three years no deposits by banks in any other banks except the Federal Reserve Banks shall count as legal reserve. It also provides that banks belonging to this system shall have

practically unlimited discount privileges with the Federal Reserve Banks so that hereafter there will be no excuse for suspension of currency payments on the part of solvent banks and no excuse for withdrawing or disastrously curtailing credits in a time of danger.

Some bankers are of the opinion that the Aldrich-Vreeland Act would accomplish this purpose. It is fair to say that it did not accomplish this purpose in August, 1914. It undoubtedly saved the country from a much worse disaster than it suffered, but its operation was too slow to prevent the temporary suspension. One day's suspension of payment causes a breakdown of credit which cannot be remedied by flooding the country with any amount of currency afterwards. A leg may be broken very quickly, but it takes a long time to heal and no amount of splints or crutches will effect an immediate cure.

The Federal Reserve Banks, however, are in position to afford the necessary relief before the break comes. During the financial crisis in this country between August 1st and November 1st, 1914, which was the most severe in our history, there were about \$45,000,000 of Clearing House certificates and Aldrich-Vreeland notes used in the Federal Reserve District of Chicago, and this proved to be ample for all necessities. The Federal Reserve Bank of Chicago could, to-day, issue \$60,000,000 of Federal Reserve notes against the reserve now in its vaults and, if the danger was sufficient to justify a suspension of reserve requirements, it could issue \$120,000,000. As soon as the time comes when its member banks carry the full quota with the Federal Reserve Bank this bank can issue three times this amount of currency at almost a moment's notice, while the experience last year showed that it takes nearly 30 days to get the Aldrich-Vreeland machine into full operation. No one familiar with these facts can doubt that had the Federal Reserve Banks been in operation on the first of last August as they are to-day no suspension would have occurred.

This is the real object of the Federal Reserve Act, and I believe that object has been accomplished. In comparison with this other features of the Act, such as handling checks at par, are of minor importance. The provision that checks on member banks should be taken everywhere at par was put into the Act to make it popular with the business public, but it might better have been left out, as it violates sound economic principles. There is no way of transferring money from one point to another without expense any more than there is of transferring merchandise without expense, and there is no more reason why one should be expected than the other.

The question is asked, "Why do not the State banks come into this system?" The answer is that State banks are using ordinary business precaution and ordinary everyday barnyard sense in waiting to see what rules are adopted by the Federal Reserve Board for the government of State banks coming into the system. There is every reason to suppose that these rules

will be liberal and will not only give the State banks practically all the legitimate banking privileges they enjoy under their State charters, but will permit them to retire from the Federal Reserve system without penalty if they find it to their interest to do so. This may seem unfair to the National banks, but there are two sides to that. If any great number of State banks enter the system they will become an important factor in the Federal Reserve Banks, and should any disposition arise among State banks to withdraw from the system it would indicate to the Federal Reserve Board that there was either something wrong with the law or with the administration of the law, and they would undoubtedly seek to correct all such defects to the advantage of the National banks as well as the State banks.

There are, naturally, many features of the law which will have to be changed, and the State banks can be of far greater assistance in bringing about these changes by staying out of the system than they can by coming into it. For example, the quadruple control which now exists over member banks is highly objectionable. The Secretary of the Treasury, the Comptroller of the Currency, the Federal Reserve Board and the Federal Reserve Banks can and do exercise separate control and authority over the individual banks, and no one knows where the authority of one leaves off and the others begin.

It would seem to be logical and natural that when

the system gets settled into working order the supervision of the member banks should be exercised largely if not entirely through the Federal Reserve Banks. These banks are vitally and selfishly interested in seeing that the member banks are kept in a solvent condition, and I think any one familiar with the subject will admit that such supervision and control would be far more efficient than any supervision or control which can possibly be exercised through the office of the Comptroller of the Currency. In fact, it is hard to understand why that office need be continued after the system has come into full operation.

I have no doubt that when the next financial crisis approaches, if not before, there will be a large movement of State banks doing a commercial business into the Federal Reserve System, as State banks outside of the system will then be placed at a distinct disadvantage. Heretofore State banks have been in a somewhat better position than the National banks at such times, as their deposits are of a more stable character and they have usually been able to require notice of withdrawal on a large part of their deposits. All that will be changed in the future. There will be no more Clearing House certificates; no more Aldrich-Vreeland notes, and no more notices required of withdrawal of savings deposits. The Federal Reserve Act provides a way by which all this can be avoided, and the public will not tolerate any such inconvenience in the future as it has suffered in the past.

MORTUARY RECORD OF ASSOCIATION MEMBERS

- ANDREWS, ALEXANDER B.—Vice-President Citizens National Bank, and Raleigh Savings Bank & Trust Company, Raleigh, N. C.
- AYCOCK, JOHN WILLIAM.—Cashier Planters National Bank, Rocky Mount, N. C.
- BRYAN, JOSEPH D.—Vice-President Benton County National Bank, Bentonville, Ark.
- CADDEEN, ROBERT.—Assistant Cashier Home National Bank, Holyoke, Mass.
- CONKLIN, WILLIAM AUGUSTUS.—Manager Hamilton Branch, Corn Exchange Bank, Brooklyn, N. Y.
- DOUGLASS, CARLOS S.—President Walworth State Bank, Walworth, Wis.
- DOYLE, T. F.—President Lowell State Bank, Lowell, Mich
- EDDRINGTON, H. C.—President Traders National Bank, Fort Worth, Tex.
- FOWLER, ALBERT P.—First Vice-President First National Bank, Syracuse, N. Y.
- GREEN, SEYMOUR S.—President First National Bank, New Milford, Conn.
- HUBBARD, THOMAS HAMLIN.—President International Banking Corporation, Director Equitable Trust Company, and National Bank of Commerce, New York City.
- HUFF, COL. LLOYD B.—Director First National Bank, Greensburg, Pa.
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- MOSHER, WILLIAM K.—Assistant Cashier Second National Bank, Erie, Pa.
- NEUMAN, AUGUST W.—Vice-President and Founder Ridgewood National Bank, Ridgewood, N. Y.
- NORMAN, J. B., JR.—Vice-President Moultrie Banking Company, Moultrie, Ga.
- NORTON, THOMAS L.—President Robbins-Burrall Trust Company, Lakeville, Conn.
- RANSTEAD, JOHN W.—Vice-President Home National Bank, Elgin, Ill.
- RENARD, EDWARD.—President Commercial National Bank, Wausa, Neb.
- RUSSEL, GEORGE H.—President Peoples State Bank, and Director Union Trust Company, Detroit, Mich.; formerly President American Bankers Association.
- SEAMANS, CLARENCE W.—Director Peoples Trust Company, Brooklyn, N. Y.
- SHIPLEY, GEORGE H.—Assistant Cashier First National Bank, Seaford, Del.
- SHURTS, SAMUEL J.—Director First National Bank, High Bridge, N. J.
- SMILEY, ANDREW B.—Director First National Bank, O'Fallon, and Belleville Savings Bank, Belleville, Ill.
- TALBOT, WILLIAM H.—President First National Bank, DeWitt, Ia.
- TINKER, GEORGE F.—President Union Bank & Trust Company, New London, Conn.
- VERMEULE, JOHN D.—Director Chatham & Phenix National Bank, New York City.
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California Expositions and "See America" Movement, Inspired by European War, Will Stimulate Travel and Provide Travelers' Cheques with an Unusual Domestic Field—A. B. A. Cheques Find Many Uses.

By Edwin Bird Wilson, Manager Advertising Department, Bankers Trust Company.

This year, when all Americans are bent on "seeing America," is an unusually favorable time for bankers throughout the country to increase their business in travelers' cheques or to commence a business in the cheques if they have not already done so. Some bankers have in the past called attention to the fact that since there is so little European travel out of their towns they did not feel justified in attempting to establish a demand for Association travelers' cheques. This attitude arises out of a misunderstanding as to the use of Association cheques. They are intended for use not only in foreign countries but throughout the United States as well, and great numbers of travelers between States and from city to city throughout this country are using them and thereby obtaining the maximum of protection and convenience in respect to their travel funds.

The publisher of a banking journal who early became interested in the Association's system of travelers' cheques stated not long ago in the writer's office that he had never been without a supply of "A. B. A." cheques since they were first issued in 1909, and that he had found them wonderfully convenient for paying his way while traveling between cities in this country. A prominent New York man always carries a few "A. B. A." cheques as "emergency money." In order that he may be the more completely safeguarded against being caught short, he has cheques divided into a number of lots, each encased in the customary wallet, so that if one wallet is mislaid or lost for a time he has another one handy.

These instances are mentioned to illustrate how convenient the "A. B. A." cheques are for the ordinary, every-day requirements of people moving about in this country, even though they never go abroad. A majority of bankers issuing the cheques realize this and constantly recommend the cheques for domestic use. But judging from the comments heard and correspondence received from some bankers, it is evident that not all of them realize the importance of recommending the cheques to their customers for use in this country.

The fact that "A. B. A." cheques made a splendid record during the war crisis in Europe, saving thousands of American tourists from embarrassment and actual hardship, together with the fact of their widespread use in this country while European sightseeing is suspended, indicates there will be an enormous demand for the cheques when travel abroad has been resumed under normal conditions.

In every city, town and hamlet of this country are

people who are planning to go to the expositions in California, and the present time is therefore most opportune for bankers to call the attention of their customers to the advantages of "A. B. A." cheques. There are many ways of doing this besides literally talking about the cheques, and the Bankers Trust Company, New York, through its advertising department, is always ready to co-operate with bankers who wish to advertise the cheques locally. Attractive newspaper cuts in many designs, all ready for printing except for the insertion of the bank's name in type, are supplied free. These are shown in catalogs, which will be sent to any banker on request. The company also furnishes beautifully colored lantern slides, advertising "A. B. A." cheques and bearing the imprint of the local selling banks. Post cards and booklets describing the cheques and calling special attention to their advantages as traveling funds for exposition trips are supplied.

By this co-operative work the task of informing the public in regard to the merits of this form of travelers' credit is made very simple for the banker who sells Association cheques, and thousands of banks have taken advantage of this service.

Members of the American Bankers Association are naturally more deeply interested in the Association's authorized form of travelers' credit than in any other kind, and they have shown their loyalty to the Association by pushing the sale of these cheques. Any banker who is not satisfied with the sales of "A. B. A." cheques by his institution and who thinks that there are possibilities of increasing the sales in his community is cordially invited to write to the manager of the advertising department of the Bankers Trust Company, who will be glad to offer suggestions and supply materials for advertising the cheques locally.

AN EMPLOYEES ASSOCIATION

The Philadelphia Trust Company has organized an Employees Association, of which every employe of the company is a member, having for its object the promotion of such co-operation between the management and the clerks as will result in the most efficient carrying on of its business. The force of 125 employes is thus organized under the leadership of a Chairman, Vice-Chairman, Secretary and Treasurer, together with such committees as from time to time may be appointed to govern such activities as lectures, educational features, entertainments (including the company's annual dinner), athletics, pensions, etc. Finally, there is a committee of five, which is known as the Service Committee, appointed by the officers, whose duty it is to receive suggestions from any of the members looking toward the welfare, betterment of service and general efficiency of the work, and this committee in turn co-operates with the officers of the company in the handling of all such matters.

BANKER-FARMER CONFERENCE TO BE HELD IN CHICAGO, JULY 7 AND 8

A Conference of the Committees on Agriculture and Education of 39 State Associations of Bankers will be held at the Hotel La Salle, Chicago, on Wednesday and Thursday, July 7th and 8th.

The importance of the banker-farmer movement has never been recognized so clearly as now. The American Bankers Association, through its Executive Council, has just adopted a most significant resolution, declaring the responsibility of the banker to aid agriculture and country life and the importance that he shall co-operate, by organization and individuality, with all movements looking to a better agriculture. It directed that a copy of this resolution should be sent to every one of the 15,000 members of the Association.

PLAN MEETS GREAT RESPONSE.

Believing that a Conference of the agencies at work would prove an inspiration and impetus, many State Association Chairmen urged that it be held. The decision of the Agricultural Commission to hold a Conference has met with an overwhelming response, approving the plan, from every side.

This Conference will be a wonderful marshaling of the strongest forces at work to-day for better agriculture and country life. It is to be unique in the comprehensive consideration it will give to the great problems to the solution of which the bankers of the United States are committed to lend their aid.

Not only will the leaders in the banker-farmer movement from these States be represented but also the deans of the leading colleges of agriculture and the editors and publishers of the most representative farm journals will attend and participate.

TO GIVE STRONG IMPETUS TO WORK.

The Conference will be of the utmost importance. It will give a strong impetus to the banker-farmer movement. It will define authoritatively the lines on which the bankers of the United States should proceed in order to do the most good. It will be long on inspiration and short on mere routine subjects. It will bring to the State associations the freshest information on how best they can attack the great problems of better agriculture and country life. It will inform the individual banker who wishes to do his part in the banker-farmer movement.

The best thought of the United States will be applied to the consideration of every subject pertaining to the great movement. Every phase of the banker-farmer movement as outlined in the banker-farmer platform will be covered.

THOSE WHO WILL PARTICIPATE.

These agencies will participate:

The Agricultural Commission of the American Bankers Association;

Chairmen and members of the Committees on Agriculture and Education of the various bankers State associations, as well as presidents and other officers of these organizations;

Deans of the colleges of agriculture and other agricultural educators;

Editors of the representative farm journals;

Individual bankers, who have been exceptionally successful in their co-operation with the farmer and who have been urged to secure the attendance of some representative farmers;

Representatives of the United States Department of Agriculture.

DEANS OF THE COLLEGES OF AGRICULTURE.

The biggest men in the colleges of agriculture have already definitely promised to participate. They will hold a "deans' session" on Wednesday afternoon, July 7th. They will bring to this Conference the freshest and most authentic scientific thought. In addition, several presidents of State universities have already promised to participate.

Editors of representative farm journals will hold a session on Thursday afternoon, July 8th. The leading men in this field have already promised to attend, and their participation, suggestions and judgment on the proper direction of banker-farmer activities will be invaluable.

The presence and participation of these educators and editors in itself provides an unusual feature and stamps the Conference as certain to produce far-reaching results. It is of the utmost importance that every State Chairman and other banker-farmer leader should hear them.

INDIVIDUAL BANKERS TO REPORT.

A symposium of individual bankers, who have been exceptionally successful in their efforts to co-operate with the farmer is to be a feature. A number of these bankers have agreed to be present.

States will be represented not only by their Chairmen, but also by other officers. An exhibit will be made of literature used by State associations and bankers and of other methods used to stimulate interest in agriculture and country life.

The United States Department of Agriculture will be represented. The Government will explain in detail the progress of the county agent movement and the opportunity to extend the work of farm demonstration. A representative woman worker and a minister who has been foremost in the country church movement will participate.

YOU ARE URGED TO ATTEND.

The Agricultural Commission of the American Bankers Association urges upon every one interested in agriculture and country life the importance of this Conference and the prospect of far-reaching results. It extends to everyone a cordial invitation to be present.

The sessions will be held in the Hotel La Salle, Chicago, which will be headquarters. The Chicago Clearing House Association will be host and will furnish entertainments to be announced later.

A detailed program will shortly be issued. All persons interested in this Conference are urged to communicate at once with B. F. Harris, Chairman Agricultural Commission, 406 First National Bank Building, Chicago, Ill.

TRUST COMPANY SECTION

OFFICERS OF THE TRUST COMPANY SECTION

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Hartford, Conn.
FIRST VICE-PRESIDENT
JOHN H. MASON, Vice-Pres. Commercial Trust Co., Philadelphia, Pa.

CHAIRMAN EXECUTIVE COMMITTEE
UZAL H. McCARTER, President Fidelity Trust Company
Newark, N. J.
SECRETARY
PHILIP S. BABCOCK, 5 Nassau Street, New York City

ADDRESS BY PRESIDENT CUTLER AT ANNUAL BANQUET OF TRUST COMPANY SECTION

At the fifth annual banquet of the Trust Companies of the United States, members of the Trust Company Section of the American Bankers Association, held at the Waldorf-Astoria May 5th, Ralph W. Cutler, President of the Section, said:

"It is my very pleasant duty and privilege, as President of the Trust Company Section of the American Bankers Association, to extend to you all a cordial and hearty welcome to the fifth annual banquet of the Trust Companies of the United States. It is not necessary or expected that he should make you a lengthy address. It might be well, however, to state that, when the question of holding this dinner was under discussion at Richmond last October, deep sympathy toward the troubles of our friends in Europe was expressed by each member of your committee, and final action was deferred until early in the Spring of this year. Our sympathy is certainly sincere and keen—most keen—and will remain so during the continuance of this terrible calamity; but we felt that, as our dinner had become so interwoven in the life of the trust company year and was nation-wide in its scope, it would be wise to get together in the customary way. Your presence here in such large numbers—and from 36 States of the Union—justifies our judgment in making this decision.

"In view of the history-making epoch through which we are passing it seems to me that we can properly adopt the spirit of patriotism, with the spirit of optimism as our 'motif' for this evening.

"Looking across the water, our admiration is compelled by the wonderful examples of heroism, devotion and love of country shown by the men—and by the women—of every nation involved in the struggle. Details are absolutely unnecessary. You know them yourselves. We Americans can all applaud and exclaim with sincere respect, 'All hail to the patriot! *Wherever he stands and under whatever flag he serves!*' (Applause.)

"Uplifted by such examples, and turning our thoughts toward the problems at home, may we not profitably consider our patriotic duty toward the affairs of our own nation? Standing as we do in responsible positions in our several communities, we should not think too much of the spirit of commercialism or mere profit in our business, as we perhaps are quite inclined to do; but, beginning at the source, we should devote more of our time to politics in the highest sense and compel the selection of representative men—men of high character—who dare to stand for what is right. Having selected them, turn out, even at some personal cost, and elect them to the important offices in our city, State and nation. The 'stay-at-homes' can never accomplish this.

Elected, whatever temporary mistakes may sometimes be made by either of our political parties, in the finality we may always rely on the sound judgment and common sense of such trustworthy men to correct these mistakes without serious disaster. When the time comes—as I believe it will come—that these other nations turn to our country, honestly endeavoring to be strictly neutral, for judgment in the adjustment of their differences, we may be proud of our counselors and rely confidently upon the righteousness and justice of their decisions in the tremendous matters involved. In the language of our immortal Lincoln, 'With malice toward none, with charity for all, with firmness in the right, as God gives us to see the right.' (Applause.)

"To the student of finance it is quite evident that the day of the American financier has surely come. His drafts, letters of credit and travelers' checks are now negotiated in *dollars* in the important financial centers of the world; were proven to be good at the time of the most serious financial cataclysm ever known; were good, even to being backed up, when necessity required, by shipments of gold carried by an American battleship. It is well known in financial circles that important settlements of foreign exchange have recently been accomplished in *American dollars*. In the world's work it is certain that these transactions will be continued, and undoubtedly in larger volume. When peace shall come and money is required by the governments of Europe the American banker will, out of his abundance, supply them the means for reconstructing and upbuilding. I firmly believe, and I am sure you will agree, that in dealing with the interlocking requirements of the whole financial situation he can be counted upon always to show broad-minded intelligence and unselfish patriotism.

"As to our future, we can surely be optimistic. In the fortunate location of our country, in its comparative isolation and consequent freedom from sudden attack, we are greatly favored over other nations. We are a peaceful prosperous people. Our material wealth is almost limitless. When times seem hard and the outlook is uncertain we must not lose sight of the absolute fact that every time the sun rises in the Atlantic, passes over our land and goes down in the Pacific \$55,000,000 has been added to the substantial wealth of the United States. Not by the purchase and sale of bonds and stocks in our financial centers, not by the gain by manufacturers of steel and iron, boots and shoes, of dry goods of every description, and of the thousand and one industries which we have brought to such perfection—but in actual wealth, in wheat, and cotton, and corn, and hay, and lumber, and eggs, and tobacco, in gold and silver, lead

and copper, coal, and oil, and iron—wealth that comes out of the ground and is solidly ours. A concrete statement of what this means is the fact that this wealth is approximately sufficient to pay the daily material cost to all the nations engaged in the terrible war in Europe, and for us it is continued every day of the 365 days in the year. It is an asset in our hands as American citizens. We must use it for righteousness, and that asset—\$15,000,000,000 a year—backed by the courage and brain and brawn of more than one hundred millions of

people, is a potent factor which, used rightly, will make our country a mighty world-power, second to none, among all the nations of the earth!

"And so I give you a rising toast:

"Our beloved country!
 May she always be right!
 But our country right,
 Our country wrong,
 Always our country!" (Applause.)

REGISTRATION AT THE ASSOCIATION OFFICES

- Acker, F. E., Rand, McNally & Company, New York City.
 Bishop, A. G., President Genesee County Savings Bank, Flint, Mich.
 Blocker, C. M., Vice-President State Savings & Trust Company, Texarkana, Ark.
 Brainard, A. E., New York Central Lines, New York City.
 Broach, Walker, Vice-President First National Bank, Meridian, Miss.
 Brock, James E., Secretary Mississippi Valley Trust Company, St. Louis, Mo.
 Brown, Miss Gladys Carmen, New York City.
 Brown, Joseph G., President Citizens National Bank, Raleigh, N. C.
 Burks, W. H., Cashier Security State Bank, Wellington, Kan.
 Carpenter, H. M., President Monticello State Bank, Monticello, Ia.
 Carpenter, Mrs. H. M., Monticello, Ia.
 Cathro, F. W., Cashier First National Bank, Bottineau, N. D.
 Cathro, Miss Marion, Bottineau, N. D.
 Chamberlain, Edwin, Vice-President San Antonio Loan & Trust Company, San Antonio, Tex.
 Cromwell, David, President First National Bank, White Plains, N. Y.
 Curtin, E. J., President Citizens Savings Bank, Decorah, Ia.
 Curtin, Mrs. E. J., Decorah, Ia.
 Cutler, Ralph W., President Hartford Trust Company, Hartford, Conn.
 Downs, F. F., President First National Bank, Temple, Tex.
 Downs, Mrs. F. F., Temple, Tex.
 Edens, W. G., Assistant Secretary Central Trust Company of Illinois, Chicago, Ill.
 Farnsworth, Mrs. Frederick E., New York City.
 Fuller, Oliver C., President Wisconsin Trust Company, Milwaukee, Wis.
 Green, F. A., Sheriff, Flint, Mich.
 Hoge, James D., President Union Savings & Trust Company, Seattle, Wash.
 Hopper, R. G., Vice-President "The American Banker," New York City.
 Hudson, A. W., President First National Bank, Syracuse, N. Y.
 Hudson, Alfred E., Syracuse, N. Y.
 Hulbert, E. D., Vice-President Merchants Loan & Trust Company, Chicago, Ill.
 Kelsey, H. F. D., Yokohama Specie Bank, New York City.
 Kretschmar, W. P., President Commercial Savings Bank, Greenville, Miss.
 Lynch, James K., Vice-President First National Bank, San Francisco, Cal.; Vice-President American Bankers Association.
 MacGregor, T. D., St. Paul, Minn.
 Main, Fred L., Assistant Cashier Commercial Bank, Titusville, Pa.
 Main, Mrs. Fred L., Titusville, Pa.
 Newcomer, Waldo, President National Exchange Bank, Baltimore, Md.
 Pearson, Justice R., Secretary Real Estate Trust Company, Ltd., Detroit, Mich.
 Phillips, Frank A., President Lambertville National Bank, Lambertville, N. J.
 Platt, J. E., Secretary South Dakota Bankers Association, Clark, S. D.
 Sherwood, L. C., Assistant Cashier Dime Savings Bank, Detroit, Mich.
 Teter, Lucius, President Chicago Savings Bank & Trust Company, Chicago, Ill.
 Toepel, W. G., Cashier Peninsular State Bank, Detroit, Mich.
 Toepel, Mrs. W. G., Detroit, Mich.
 Vosburgh, L. T., General Passenger Agent, New York Central Lines, New York City.
 Ward, H. B., President The Le Roy National Bank, Le Roy, N. Y.
 Wells, George F., Denver National Bank, Denver, Col.
 Whitney, Frederick D., Rochester, N. Y.
 Wing, E. M., President Batavian National Bank, La Crosse, Wis.
 Wing, Mrs. E. M., La Crosse, Wis.

BANK WINS LIBEL SUIT

The First National Bank of Waverly, N. Y., has secured a verdict of \$2,000 against Byram L. Winters, publisher of the "Waverly Free Press-Record," in a suit for libel and slander before the Supreme Court of Madison County. F. E. Lyford, President of the same bank, also secured a verdict of \$1,000 in an action against the same party. These suits were brought early in 1911 because the "Free Press-Record," then a daily paper, in 1910 began publishing articles containing false statements in regard to the bank and Mr. Lyford, and Mr. Winters personally. It is stated, had been repeating the statements and adding to them.

The trial judge in the case made a strong charge to the jury, instructing them that the articles complained of were libelous. He said: "You need not spend any time in trying to determine whether or not these statements were actually made, for they are undisputed. You need not spend any time in trying to determine whether or not they are libelous because I so instruct you, and that the plaintiff is entitled to recover such damages as it has sustained by reason of them. You will confine yourself entirely to the consideration of what sum will compensate this plaintiff for the injury to its standing, credit and business."

SAVINGS BANK SECTION

OFFICERS OF THE SAVINGS BANK SECTION

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

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

Banks Should Co-operate in Campaigns to Further Popular Thrift Education

To-day, the United States is being fairly permeated with the spirit of thrift, but to effect the best results the banks should consider of vital importance their earnest co-operation with the various thrift exhibits and campaigns.

The biblical interpreter of Pharaoh's dream was not unlike a certain professor of economics in one of the Eastern universities, who recently declared to his class that within two years after the close of the present war the United States would be in the throes of the greatest panic of its history, and cautioned the students to save.

Whether this injunction is a declaration to be depended upon or not, it is nevertheless most timely. The aim of the thrift exhibits and campaigns which are being conducted by the Savings Bank Section is to counsel the people to save, and the results already obtained are most gratifying.

Notable in the work now being carried on is the Movable Thrift Exhibit, mentioned and described in the February JOURNAL-BULLETIN, which is rapidly showing excellent results, as evidenced by the following letter from the Evansville, Ind., Young Men's Christian Association:

My dear Mr. _____:

The Thrift and Industrial exhibits came to Evansville from Vincennes on May 4th and were shipped to LaFayette on Friday, May 7th, as per schedule.

The Thrift exhibit, with one of our prominent bankers as a speaker, served to gather a large crowd for a noon hour meeting in a factory each day. This effort alone was worth much, for in each case the manufacturer took the responsibility of getting his men together through his foremen. Two meetings were held in business colleges with another banker as speaker. The schools came to the Association in a body to view the exhibits. The Clearing House gave us \$25 with which to defray the expenses.

The Industrial exhibit was visited by a large number of townspeople, including manufacturers. The latter were given a special invitation by telephone, and upon coming to the building we explained the charts in detail. Their ideal of Association work has been enhanced considerably by this effort.

The directors and employed staff of the Evansville Association wish to thank the International Committee and the American Bankers Association for bringing this opportunity within the range of

possibility, and we feel that we have been benefited materially by it.

Very sincerely yours,

EDUCATIONAL SECRETARY.

This letter bespeaks high praise for the banks of the community, for in order to effect the best results of any campaign preaching the "gospel of thrift" it is most necessary that the banks and clearing houses co-operate, even though financially there seems no immediate return. The very inculcation into the minds of the people of the habits of thrift and economy should be sufficient for the banks to consider it their patriotic duty to lend a helping hand.

When the banks do actively co-operate in furthering this work, the farcical argument is sometimes advanced that they have merely a commercial interest. This is manifestly erroneous when we consider the thrifty depositor starting his savings with a one dollar bill. Although secondarily the bank may think of the commercial side, yet primarily the bank is working for such deposits on the basis of the encouragement of thrift. Assuredly, therefore, the banks should aid this campaign without any fear of such criticism.

How forcibly this exhibit is being presented may be illustrated by the accompanying picture, which is merely a reproduction of one of the hand-painted panels that surround the revolving part of the exhibit, described in February's JOURNAL-BULLETIN.

There is an important point in connection with the thrift propaganda which would undoubtedly help make better results. The public have been exhorted and preached to about saving their money, but nothing has ever been said of what becomes of it; how it is invested; the good it accomplishes for the community. If the public were taught that their money went to the building up of homes, school houses, bridges, transportation facilities and the numerous other features beneficial to communities, and not to taking a "flyer" in the stock market, a more stable attitude of mind would be maintained. Ignorance of these facts generally is the cause of the frequent spasms of distrust in sound banking institutions.

In an editorial commenting on the municipal savings bank idea of Adolph Lewisohn, of New York, in the New York "Times" of May 23, 1915, it is stated, "There is little doubt that among many people, especially foreigners, there is a great distrust of savings banks. Some of the poor people of the East Side and of por-

tions of Brooklyn have had unfortunate experiences with private institutions, and in a number of cases the habit of saving has received a great shock, as hundreds of people have realized that owing to the lax or dishonest management of some of these so-called 'banks' their hard-earned savings have been swept away. The result is either that people no longer save their money but spend it in unnecessary pleasures or foolish extravagance,

\$ 5.00 DEPOSITED MONTHLY

AT 4%


WILL AMOUNT IN

5 years to
\$ 337 98

10 years to
\$ 737 45

15 years to
\$ 1249 47

20 years to
\$ 1858 15



or else they make their own 'safe deposits' by hoarding their money on their persons, or hiding it in their homes. The frequent accounts in the newspapers, showing how the occupants of the tenements have been robbed of their savings, proves how foolish it is for the poor people to bank their money at home."

This is the co-operation wanted from the banks where thrift exhibits are shown and campaigns are instituted.

TALKS ON THRIFT

Each month the Savings Bank Section sends to a number of banks and publications one of these Talks, to be released each week of the following month:

TALKS ON THRIFT

(American Bankers Association)
THIRD ANNUAL SERIES.

NO. 18.—BECOMING AN INVESTOR

"Thrift, when it begins to take root, is a plant of rapid growth."

—George Washington.

The National City Bank of Chicago has a "Savings Investment Club" designed to encourage savings depositors to become investors in bonds. When a depositor has \$50 to his credit the bank will lend him \$50 at the current rate of interest, and he can buy a \$100 bond, selecting the bond himself. The bank holds the bond as collateral security for the \$50 loan and the customer continues his savings de-

posits till he is able to pay the \$50 note. Then he can start the process again and buy a second bond. The plan is sound. Its main advantage to the depositor is that most of his savings draw bond interest instead of savings bank interest. If the income yield of the bond is higher than the interest rate he pays the bank on his \$50 note, he makes a further profit. If the yield of the bond and the interest on the note are equal, the transaction will reach the same result as if he bought two \$50 bonds, one after the other.

The same plan is conducted by other banks, including the Wisconsin National Bank of Milwaukee. The latter institution offers the same arrangement proportionately to savings depositors who wish to buy \$500 and \$1,000 bonds.

Even if the banks where you are located are not in a position to assist you in just this way you can soon put yourself in a position to take advantage of favorable investment opportunities now existing.

A good bond will pay you a steady income. It will be good collateral for a loan, or will form a "nest egg" for more bonds. Even though you have saved nothing as yet, you can own a \$100, \$200 or \$500 bond in 52 weeks.

Become now a regular weekly saver at some bank. Pledge yourself to make 52 weekly deposits of a sum you can manage to set aside. When you have accumulated some capital, chose your bond upon good advice, and then set about saving for another, and keep it up. It is always better to be a lender than a borrower. A certain Western city has a city hall built 25 years ago at a cost of about \$1,000,000. It has now paid out as much in bond interest as the cost of the building and still owes every cent of the principal. Many an individual is handling his own indebtedness in the same foolish way.

If you are in that class stop borrowing from others. Stop borrowing from your own future. Save your money and become a lender. You will be rewarded.

T. D. MACGREGOR.

Any member wishing to be enrolled on the mailing list to receive these Talks each month may make application to the Secretary.

N. Y. Savings Bank Association Holds Its Annual Meeting

On Thursday, May 20th, the Savings Banks Association of New York State held their annual meeting at the Hotel Biltmore, New York City. The 140 savings banks of this State were represented by more than 250 men, the largest gathering in the history of the Association. As guests, representatives from several similar associations were invited for the purpose of future co-operation. The Secretary represented the Savings Bank Section of the A. B. A.

One of the most notable features of the meeting was an address by Mr. J. Mitchell Rainey, of the Hudson City Savings Institution, on "Ways in Which Our State Association Might Change Its Methods or Increase Its Activities with Advantage to Its Members," in which he referred to the thrift campaigns and general work of the Savings Bank Section.

SCHOOL SAVINGS STATISTICS.

According to the last report on school savings of the United States, the statistics gathered by the Savings Bank Section of the A. B. A. are as follows:

Number of schools, 1,800; number of depositors, 410,554; amount on deposit, \$1,772,204.25.

CLEARING HOUSE SECTION

OFFICERS OF THE CLEARING HOUSE SECTION

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CHAIRMAN EXECUTIVE COMMITTEE
W. D. VINCENT, Vice-President Old National Bank,
Spokane, Wash.
SECRETARY
O. HOWARD WOLFE, 5 Nassau Street, New York City

The Gold Settlement Fund of the Federal Reserve System and the Inter-District Clearing of Checks

Inauguration of a Plan that Marks an Epoch in the Domestic Exchange Business of the United States—Origin of the Idea—How the Operations of the Fund Will Be Conducted and What Results May Be Anticipated—Plan Is the Result of the Exercise of a Discretion Vested in the Reserve Board by the New Banking Law.

In his admirable book on "Ways and Means of Payment," written in 1859, Stephen Colwell, of Philadelphia, wrote:

A public institution designed to regulate and assist the domestic exchanges of the country, with all the ramifications and branches to make it efficient, would be a boon to the industry, the trade, and the credit system of the country, the value of which would be almost beyond estimate. It would need to have a close and systematic connection with the financial system of the United States, that the offices of the public treasury and the officers of domestic exchange might operate together, so far as needful, and lend mutual support in every exigency, and that their information might be in common.

The plan which Mr. Colwell suggested for the settlement of domestic exchange transactions was based upon sound clearing principles, but it apparently never received the attention it deserved on account of the complete readjustment of our banking system shortly after his book was written. His ideas are interesting at the present time because our domestic exchange—or, as we call them to-day, our transit problems—can now be solved through the application of the clearing principle urged by him. Although this will not be accomplished through a strictly "public institution," there is, nevertheless, a "close and systematic connection with the offices of the public treasury," and Mr. Colwell's "institution," in the present case, the Federal Reserve Bank.

WHAT THE RESERVE ACT PROVIDES.

The full significance of the check collection provisions of the Federal Reserve Act was not realized until quite some time after the Act had been passed. Even now there are many bankers, including some members of the system, who do not quite understand the somewhat ambiguous sentences in the last part of Sec-

tion 16. Doubt is gradually giving way to certainty as the full intent of the Act is being explained, both in precept and practise. It is too much to expect that the plan to put our check collections upon a different and a more systematic basis would meet with instantaneous approval. We have sufficient confidence in the American banker, however, to warrant the hope that once he has grasped the almost unlimited possibilities of the new plan, he will give it his hearty support. The idea has not yet had time to sink in that check clearings are shortly to be divorced from a system of keeping reserve. As soon as the balance of book credit reserve is transferred to the Reserve banks our present system of check collection must fall of its own weight. The country banker does not realize this truth as yet, neither does he take into consideration the fact that the Gold Settlement Fund established at Washington will slowly but surely evolutionize our entire domestic exchange machinery.

The framers of the Federal Reserve Act were confronted with a peculiar condition. Here was a great nation having a uniform National banking and currency system, yet absolutely without any modern method for the scientific, or indeed the satisfactory, settlement of its domestic exchange transactions. In most sections of the country it was more costly for two merchants or two banks 100 miles apart to settle their trade differences through the operation of available banking and credit machinery than for either or both of them to settle an equal amount due from or to a customer in a foreign country. That this condition will cease to be a reproach among us is due to a single sentence in Section 16 of the Federal Reserve Act, which provides that the Federal Reserve Board "may at its discretion exercise the functions of a clearing house for such Federal Reserve Banks." It is this rather cautiously worded provision, which the casual reader might pass over without second thought, that suggested what promises to be one of the notable achievements of the Act, the establishment of the Gold Settlement Fund at Washington.

THE GOLD CLEARING FUND.

The idea of the Gold Clearing Fund originated with the Preliminary Committee on Organization of the Reserve banks, of which the Secretary of the Clearing

House Section was a member. In the report rendered June 1, 1914, by this committee it is stated:

One of the primary functions of banking and the purpose of all clearing houses is to make full use of the "clearing principle," which is the offsetting of debits with credits, to effect settlements by book transfers, and to use such credit instruments as checks and drafts, thus reducing to a minimum the handling of actual currency. The primary object of the plan here presented is to use the machinery of the Federal reserve system to make the enormous domestic exchange business of the country clear itself, the balances of the entire nation being finally focused and cleared by a simple operation on the books of the Federal Reserve Clearing House. Wherever, in the plan to be proposed, it may seem at first glance that a proposed method of procedure is not specifically authorized in the bill, the warrant for such proposition is contained in the phrase "functions of a clearing house," and nothing herein suggested will be found to do violence either to clearing house principles or practices.

When the Federal Reserve Board submitted the question of the establishment of the Gold Fund to its counsel, the opinion rendered was favorable to the plan and concurred entirely with the views thus expressed by the Preliminary Committee. It is stated on good authority that the possibilities of the sentence in Section 16 quoted in the previous paragraph were not fully estimated by the framers of the Act. In the original tentative draft of the report of the Preliminary Committee this statement was made in substance: "The Gold Clearing Fund will give to the system all the practical advantages of a central bank so desirable to an efficient clearing plan without any of its political disadvantages." This sentence, for reasons of policy, was stricken out, but the truth contained in it will be apparent to anyone who takes the trouble to study the operation of the plan, which may be briefly described.

Each Reserve bank will deposit in the fund one million dollars in gold, and an additional amount equal to its total net indebtedness to the other Reserve banks. While this amount was fixed as a minimum at the outset, it is expected that ultimately the Reserve banks will follow the suggestion made by the preliminary committee and deposit all the gold that can possibly be spared. In other words, the idea of a minimum should apply to the amount of gold retained by the Reserve banks for local or district use and not to the amount deposited with the settlement fund. The gold need not be sent to Washington. It is deposited in the nearest Sub-Treasury and the Treasury Department is then notified by letter or wire. Upon receipt of such advice the Treasury Department issues gold order certificates uniformly payable to the Federal Reserve Board. These certificates will be kept in a small safe within the main Treasury vault, where proper measures have been taken to safeguard them. This plan establishes the connection between the U. S. Treasury and the domestic exchange operations of the country as was suggested many years ago. The Reserve banks retain the ownership of the gold thus deposited, but not the possession, and in accordance with the law as expressed in the National Bank Act they may count it as a part of their legal reserve. On Wednesday night each Reserve bank telegraphs to the settling agent at Washington the amount in even thousands due by it to each other Reserve bank as of that date. A very simple set of records is provided and the clearing process is carried out exactly as it is done

in any city clearing house. The settling agent wires each Reserve bank on Thursday the amount of its credits received from the other banks and also each bank's debit or credit balance. Proper adjustment is then made by the Reserve banks and by the settling agent.

EXCHANGE OF UNIFORM VALUE.

The chief interest in the plan does not lie in its mechanical features, however, nor in the facilities which it provides the Reserve banks for the settlement of their balances. Its importance is in the effect it will have upon the collection of every check in the United States both as to methods and costs. The first result will be 12 kinds of exchange of practically uniform value instead of one as at present. This will have an effect upon the rates of exchange charged by the banks at present in these 12 cities. This in turn will act upon the exchange rates of the country banks of the respective districts of which the Reserve bank city is the collection center. Ultimately all members, and perhaps the present non-members, will join in one uniform system of clearing and collection. We may review the considerations upon which these predictions are based and decide if they are justifiable.

First, as to the equalization of exchange. We can best explain this by referring to past conditions. If the Kansas City bank was in debt to the New York bank it could offset that indebtedness by shipping either currency or New York funds, which might at that time have commanded a premium. At the present time, however, the Kansas City bank does not need to concern itself particularly as to its standing with New York. All that it needs is a credit at the clearing house in Washington, and it can secure such credit with funds on Chicago, St. Louis, Minneapolis or any other of the Reserve bank cities. Naturally, it will use the funds that are cheapest or most easily available. It will rarely be necessary for the Reserve banks to ship gold, because they will be able to use funds that cannot now be used and which may always be had at a much lower price than the cost of gold shipment to the nearest Sub-Treasury.

Let us consider the position the Dallas bank would be in should its members take transfers through it either by draft or otherwise to New York in such volume as to put the bank into debt to New York. It would not be necessary for the Dallas bank to purchase New York exchange from its local members; San Francisco or Minneapolis funds would be of precisely the same value because the same distance away in point of time. Kansas City and St. Louis exchange would be even more desirable and probably more available. If, however, it should happen (as it rarely will) that funds on Federal Reserve cities are not available in sufficient quantities, then gold might be shipped, not to New York or to Washington, but to New Orleans. Or the Dallas bank may make credit arrangements temporary with any one of the "creditor" banks, as is done in the Chicago and Boston clearing houses.

EFFECT ON EXCHANGE RATES.

A moment's thought will disclose the effect the above conditions will have on the present rates charged by banks in San Francisco, Dallas, Atlanta, Minneapolis, etc., for New York or other Eastern remittances. The Federal Reserve Banks of Boston, New York and Philadelphia, let us say, can receive any check on a clearing

house bank in any of the other Reserve bank cities at par. Although deposits of such items will not go into the Reserve account of the member bank until they reach the city in which they are payable, there will be a clear saving in time over present methods of just one-half, since it is not necessary to wait until returns are received. It is not likely, therefore, that arbitrary rates of exchange on New York can be maintained by clearing house banks in any of the Southern or Western Reserve cities. This being true, the large collecting banks will find it increasingly difficult to offer par or low-rate collection facilities to the country banks in their districts unless the country banks will reciprocate. This result will apply both to non-member and member banks. At the present time the entire check collection system of the country is based upon uniform conditions. As a parallel or competing system, the non-member group of bankers will hereafter be unable to give as satisfactory or economical service because they will not be able to use the transfer system of the Reserve banks, and it is unlikely that a member bank in a Reserve city will make transfers free for a competing non-member in the same city.

The banks in Georgia have shown keen farsightedness in organizing a State clearing house which will enable them to collect their Georgia checks, at least, in the most economical manner. As soon as the new system gets to working smoothly it may be confidently expected that all member banks and many non-member banks will come into the optional collection system provided by the Reserve banks. It will be as difficult to stay out as it would be to operate a stage coach line profitably between New York and Chicago in 1915.

CHARGES PROPORTIONED TO COSTS.

There is to be nothing unbusinesslike or prodigal in the method of conducting the new system. Proper charges, proportionate to the cost, will be assessed against those for whom service is rendered. The costs, however, will be much lower than under past conditions, chiefly because unnecessary expense is done away with. The matter of charges is being held in abeyance at present and it is likely that the Reserve Board will merely suggest to the Reserve banks a general plan to be followed in fixing rates for transfer by draft, letter advice or telegraph, reserving its right to review the charges that will ultimately be decided upon by the Reserve banks.

Three elements of cost enter into these charges, which may be designated as service cost, settlement cost and protective cost. Service cost consists principally of "overhead" charges, that is, clerk hire, stationery, postage, etc. This element of cost will probably be fixed by experience and will be changed not oftener than once a year. Settlement cost has to do with the maintaining of the gold deposit in the settlement fund in Washington. This cost will depend upon the gold reserve position of the Reserve bank making the transfer. As gold is

withdrawn the settlement cost increases. The principle is the same as that applying to foreign exchange transactions and it has the same relation to the discount rate. As soon as the plan and its possibilities are more fully understood and the transit men of the Reserve banks become as experienced in scientific methods of using the domestic exchange markets as international bankers are in handling foreign exchange, it is probable that the settlement cost element will be almost negligible. Furthermore, if the Reserve banks adopt the policy of keeping a maximum amount of gold in the fund at all times, it will seldom, if ever, become necessary to transfer the precious metal.

What may be termed the "protective cost" element arises chiefly out of telegraphic transfers. It is conceivable that it will be some time before banks give up the custom of paying interest to each other on balances, if they ever abandon the custom at all. Without the protective cost being imposed by the Reserve banks it would be possible for a bank in San Francisco to draw a draft against an interest-producing New York balance (which draft would, in the usual course of business, be outstanding about six days) and then cover with a telegraphic transfer through the Reserve banks. To prevent such business from degenerating into a kiting proposition the Reserve banks will probably fix the protective cost at a rate based upon one day's interest at 2 per cent, multiplied by the number of days between the Reserve banks concerned in the transfer. While these elements of cost may seem rather involved to the lay reader, in actual practise the determination of transfer rates by the Reserve banks involves no accounting difficulties and the charges will always be considerably less than have existed under our disjointed and unscientific system of the past, if system it may be called.

CHEAPER AND SAFER.

It is not going to take the wide-awake banker very long to appreciate the fact that it will be considerably cheaper and safer hereafter to make payments and transfers by letter and telegraphic advice through the Reserve system than by check and draft. Certainly, so far as the member banks are concerned, there is no good reason why a draft drawn by one in favor of another should ever again be used. A complete system of transfers by book debits and credits by other means than the written order called the check is now possible. The day long ago predicted by such sound economists as the American Colwell and the Englishman Jevons seems possible of realization, that is, payment by the scientific transfer of credit instead of the transfer of money. Credit is based upon money held in reserve. In the United States we are about to put a large part of our reserve money to rest in one place and make our payments by shifting the credit.

"Clearing, the perfect principle," has at last taken its proper position in our banking and currency system.

CIPHER CODE

In May, 1914, at a meeting of the Executive Council held at Hot Springs a motion was unanimously adopted that the General Secretary be directed to inform members of the Association that those desiring to do so could print on their letter-heads and other stationery the following: "A. B. A. CODE USED."

Or they might use instead the following:

"AMERICAN BANKERS ASSOCIATION CODE USED."

Our code is extensively used by members and this action, it is believed, will be the means of increasing the usefulness of the code. Many members have already adopted this suggestion. Others are urged to do so.

RESERVE BOARD'S REGULATIONS AS TO CLEARINGS

The regulations governing the establishment of the Gold Fund and Clearings between Federal Reserve Banks, as issued by the Federal Reserve Board, are as follows:

I.—STATUTORY PROVISIONS UNDER SECTION 16.

"The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal Reserve Banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal Reserve Banks, or may designate a Federal Reserve Bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks."

II.—GENERAL PROVISIONS.

In the exercise of the functions of the clearing house authorized under the provisions of Section 16, quoted above, the Federal Reserve Board and the Federal Reserve Banks will be governed by and subject to the following regulations, and the Federal Reserve Board will be the custodian of the funds hereinafter termed the Gold Settlement Fund. The Board will appoint a settling agent, who shall keep the necessary records and accounts.

III.—DEPOSITS IN THE GOLD SETTLEMENT FUND.

(a) Each Federal Reserve Bank shall, not later than May 24, 1915, forward to the Treasury or the nearest subtreasury, for credit to the account of the Gold Settlement Fund, \$1,000,000 in gold, gold certificates, or gold order certificates, and, in addition, an amount at least equal to its net indebtedness due to all Federal Reserve Banks.

(b) The Treasurer of the United States or Assistant Treasurer will, in accordance with arrangements made with the Treasury Department, advise the Federal Reserve Board, by mail or telegraph, of the receipt of all funds deposited on account of the Gold Settlement Fund, and the Treasurer will issue and deliver to the Federal Reserve Board gold order certificates made "payable to the order of the Federal Reserve Board" covering the sum so deposited.

(c) Each Federal Reserve Bank shall maintain a balance in the Gold Settlement Fund of not less than \$1,000,000.

(d) Excess balances may, at the convenience of each Federal Reserve Bank, remain deposited with the Gold Settlement Fund.

IV.—CUSTODY OF FUNDS.

(a) A safe in the Treasury vault will be set apart for the exclusive use of the Federal Reserve Board.

(b) To open the Treasury vault, the presence of two persons designated by the Secretary of the Treasury is required. The combination of the safe set apart for the use of the Board will be controlled by two persons designated by the Board.

(c) A vault record shall be kept, giving a memorandum of all entrances to the safe, by whom made, for what purpose, and the certificates deposited or withdrawn. Each entry on the vault record book shall be signed by the persons having access to the safe.

V.—ACCOUNTS.

In its relations with other Federal Reserve Banks each Federal Reserve Bank shall keep an account showing balances "due to" other Federal Reserve Banks representing the proceeds of items which it has actually collected, and payments and transfers which have been made to it for the account of such other Federal Reserve Banks; and an account showing balances "due from" other Federal Reserve Banks representing the proceeds of

items which it has sent to such other Federal Reserve Banks, and payments and transfers which have been made to such other Federal Reserve Banks for its account.

VI.—PROCEDURE.

(a) At the close of business each Wednesday night, each Federal Reserve Bank shall telegraph to the Federal Reserve Board, confirming such telegram by mail, the amounts in even thousands due to each other Federal Reserve Bank as of that date, as indicated by its "due to" account provided for in Rule V. If Wednesday is a holiday in the State in which a Federal Reserve Bank is located, then such bank shall telegraph as herein provided on Tuesday, at the close of business.

(b) The settling agent shall, on each Thursday, make the proper debits and credits in the accounts of each Federal Reserve Bank with the Gold Settlement Fund, and shall telegraph to each bank the amounts, in even thousands, of credits to its settlement account, giving the name of each Federal Reserve Bank from which each of its credits was received and also its net debit or credit balance in the weekly settlement.

(c) Each Federal Reserve Bank shall, on receipt of the telegram from the settling agent, debit the "due to" Federal Reserve Banks' accounts, and shall credit the Gold Settlement Fund; and shall credit the "due from" Federal Reserve Banks' accounts and charge the Gold Settlement Fund. The difference between the total debits and credits shall equal the net debit or credit to the Gold Settlement Fund, as advised in the telegram from the settling agent.

VII.—DEFICITS.

(a) Should the debit settlement balance of any Federal Reserve Bank be in excess of the amount of its credit in the Gold Settlement Fund, such deficit must be immediately covered either by the deposit of gold, gold certificates or gold order certificates in the Treasury or nearest subtreasury, or by credit operations with other Federal Reserve Banks which have an excess balance with the Gold Settlement Fund. Any delay in covering such deficit shall be subject to such charge as the Federal Reserve Board may impose.

(b) As required in III (c) of this regulation, each Federal Reserve Bank shall maintain a balance in the Gold Settlement Fund of not less than \$1,000,000. Should the credit balance of any Federal Reserve Bank in such fund fall below \$1,000,000, such bank shall restore its balance to that amount in either manner indicated under VII (a) of this regulation on or before Tuesday of the following week.

VIII.—EXCESS BALANCES.

Any excess balance shall, on request, either by telegraph or letter, of the Federal Reserve Bank to which it is due, be refunded by the return to the Reserve bank of the gold order certificates held by the Gold Settlement Fund properly indorsed; or by the indorsement and delivery to the Treasurer of a like amount of such certificates for which he will give in exchange bearer gold certificates, which the Federal Reserve Board may send by registered mail, insured, to the banks, if they want funds other than gold order certificates, or in lieu of such payment, the Treasurer may by wire or mail direct payment to be made by a subtreasury office through the medium of the general account, provided funds are held in such office available for the purpose. Gold order certificates will, when presented at the office of the Treasurer of the United States or any subtreasury, bearing the signatures of duly authorized officers of the Federal Reserve Bank, be payable in gold or gold certificates. If the Treasury finds it necessary to ship from one point to another in order to have the gold or gold certificates avail-

able at the subtreasury to which such gold order certificates are presented, the Federal Reserve Board will, for the account of the Gold Settlement Fund, refund any expense incurred by the Treasury in making such shipments.

IX.—RESERVE.

Each Federal Reserve Bank shall count as a part of its legal reserve the funds standing to the credit of its account on the books of the Gold Settlement Fund.

X.—EXPENSES.

Cost of operation of and shipment of currency by the Gold Settlement Fund shall be apportioned

by a semi-annual accounting among the 12 Federal Reserve Banks on a basis to be hereafter determined by the Board after consultation with the Federal Reserve Banks.

XI.—AUDIT.

At least once in each three months an audit shall be made of the Gold Settlement Fund by a representative of the Federal Reserve Board and a representative appointed by the Federal Reserve Banks.

XII.

The Federal Reserve Board reserves the right to add to, alter, or amend these regulations.

GOVERNOR SEAY EXPLAINS THE CLEARING PLAN

Governor George J. Seay, of the Federal Reserve Bank of Richmond, has issued a circular to the members of the Richmond bank in which he gives the following comprehensive explanation of the clearing plan:

In connection with the plan for the collection of checks on members in District No. 5, we now lay before you the following important considerations, to which we ask your most thoughtful attention.

1. Members should bear in mind this fact: Beginning with November of this year, the proportion of reserves required to be kept in the Federal Reserve Banks will be increased materially, and each succeeding six months will be further increased, until at the end of two and one-half years from now *all legal reserves not required to be kept in vaults will have to be kept in the Reserve banks.*

This provision of the law will in itself bring about a revolution in the collection business of the country and in the use of exchange. With a collection service provided for in the Act, it will cause extensive, if not complete, abandonment of the practise of maintaining balances with other banks for the purpose of getting items on which to charge exchange, and of obtaining par points to avoid paying exchange, for the following reasons: First, such balances will then have to be maintained out of *surplus reserves*, and there will be little, if any, more profit in the exchange made or saved than in lending the money; and, second, collecting banks, already alive to the fact that the work done for such balances leaves little or no profit or advantage, can much less afford to collect for the smaller balances which will inevitably result.

It was, therefore, essential that a collecting or clearing service should be provided for in the Federal Reserve Act to meet these changed conditions. It would be impracticable, if not impossible, to create an organization for such purpose as comprehensive, as effective, and as well constituted to perform the services economically as the Federal Reserve System. The plan offered in our circular letter is but the beginning of the general collection system provided for.

2. It is plain that any partial system of clearing will involve certain complications which will disappear when full clearing is put in operation. It is still more plain that a full clearing plan would be so overwhelming that it could not be put in operation upon a given day at the start. It must be developed by degrees, and will have to be modified as experience dictates. Present connections and methods of collecting have been built up gradually through a long period of years and it will re-

quire time to adjust the new system to developing conditions.

It will be highly desirable, therefore, for all members to join in every stage of operation of the system to bring about the most beneficial results, and in order that when a new arrangement becomes imperative, a thoroughly practical and efficient system will have been worked out.

3. We, of course, realize that checks received on deposit by members on points outside of this district make up a very large part of their business, and that many members will be compelled to send us such funds in part to enable them to conveniently provide for the payment of checks which may be received by us and charged against their accounts under the plan.

Therefore, to provide this offset, we will receive from members of the collection system under the plan offered checks on member banks in all the Federal Reserve Bank cities east of the Mississippi River—Boston, New York, Philadelphia, Richmond, Atlanta, Cleveland, Chicago and St. Louis, and will arrange, when practicable, to give offsets upon other points when required by purely local conditions. It is not intended at this time, in the first stage of operation, to make this a binding part of the plan, or to collect for members on these points without limit, and thus enable them to accumulate balances with the object of transferring them to the most convenient point for exchange purposes, but only to receive such checks to the extent necessary to enable them to conveniently provide us with funds.

MAINTAINING RESERVE BALANCES.

4. The collection system will be operated through us upon the Clearing House principle. Some banks will have a daily credit in the clearing and others a debit. Debtor banks will, of course, have to provide the funds to pay the creditor banks. *Reserve balances required to be kept by law are not available for that purpose, and to allow them to be so used would seriously impair the loaning power of the Reserve banks.*

According to information recently furnished us by member banks, if the Reserve bank of this district should undertake to handle all the checks now being handled by member banks of the district, the aggregate number of checks to be handled daily would be 145,000, and the amount \$13,000,000; and from information furnished the Comptroller in June, 1914, if they should handle only checks on member banks, the aggregate number daily would be 45,000, and the amount \$6,000,000.

Therefore, it is essential to the operation of the system that members should have in our hands the funds

necessary, over and above their reserve balances, to meet the checks to be paid by us for them.

Experience will soon determine in the case of each bank what the daily volume of charges against its account will average, and consequently the average amount necessary to be maintained to meet those charges. To aid in arriving at this knowledge, a record of daily balances will be kept for each member of the collection system, and, when necessary, statements will be sent each week so that members may be kept advised of the standing of their accounts on our books. Members may be assured that the best efforts of this bank will be made to render the system thoroughly satisfactory and efficient.

EXCESS BALANCES.

5. Members will, of course, be at full liberty to check against balances on our books in excess of the amount required by law to be kept in our hands, and such checks may be sent anywhere within or without the district without restriction.

CHECKS DRAWN ON RESERVE BANKS.

6. Many banks do a large collection business for other banks and will, in consequence, accumulate excess balances with us by sending us checks on member banks of this district, although it is well to bear in mind that this condition will undergo a radical change when all reserve accounts are required to be transferred to Federal Reserve Banks.

A plan of settlement of balances between the Reserve banks will go into effect simultaneously with the inauguration of the district collection plan. A gold fund will be kept in Washington under the custody of the Federal Reserve Board, and each Federal Reserve Bank will maintain a portion of its gold reserve in this fund. The Federal Reserve Board will act as a clearing house for the Federal Reserve Banks, and settlements between them will be made by transfers on books kept by the Board, so that actual shipments of money will be made only when absolutely necessary, and the cost of settlement reduced to a minimum.

A National Clearing House will thus be established for the settlement of trade balances between districts and all parts of the country. Twelve kinds of exchange will come into use—exchange on the Reserve banks of the 12 districts—and the machinery will be provided for keeping these different kinds of exchange upon parity, or as near to parity as the most economical method of settlement can effect.

At the outset a time schedule of deferred credits will be established upon checks on all Federal Reserve Banks—that is to say, checks on the Federal Reserve Banks will not be credited immediately upon their receipt but only after sufficient time has elapsed to enable them to reach the Reserve bank upon which drawn. The schedule will be furnished to all members of the collection system upon its inauguration.

This action is rendered absolutely necessary under the banking conditions which will probably continue to exist until the time when all reserve accounts shall have been transferred to the Reserve banks, for the obvious reason that exchange on the business centers, more particularly New York, is a common medium of settlement, and member banks might use the Reserve banks to make collections, and at certain seasons of the year might check on us to convert their excess balances into New York exchange. These checks would, of course, reach

us through the Reserve Bank of New York, and we should have to ship funds at our own expense in settlement.

The time schedule will be necessary to keep this practise within proper bounds. As previously stated, this condition will be materially, if not wholly, changed when all reserve accounts are required to be transferred to the Reserve banks, and when the 12 kinds of exchange come into general use.

TRANSFERS.

7. There is one class of checks which it will be difficult for member banks to anticipate and provide for: that is, transfer checks drawn by any bank upon a member of the collection system against an accumulated balance and sent through the Reserve bank by a member for collection.

Such checks are usually for large amounts, and if received for immediate credit will be likely at times to impair the reserve balances of the members on which drawn, and even overdraw their accounts.

If banks which keep the accounts of other banks will arrange with them not to draw such checks for purely transfer purposes, but to make request for transfers when desired, it will bring about a far more satisfactory working of the system.

The collection plan is intended primarily to provide for the collection of business checks received by members from their own depositors, or issued by members in the regular course of business, and not for the transfer of balances between banks by such checks. It is not intended to attempt to interfere with the relations between members and their banking depositors, but these checks require special treatment, and it may become necessary to impose a charge upon such transfer checks sent to us, or to receive them subject to a time allowance for collection. We submit this suggestion to members for consideration, since they have the correction of the practise entirely within their own hands.

BENEFITS OF THE COLLECTION SYSTEM.

8. The collection business is an integral part of the Federal Reserve Banking System. It was absolutely essential to provide the machinery to take over, when the time arrives, that branch of the banking business which has been conducted by collecting banks for the consideration of balances, which balances will have to be transferred to the Federal Reserve Banks.

Like other provisions of the Act, it was intended to correct abuses and unsound methods of banking practise which have grown up in this department under the influence of severe competition. The chief evils of the collection business as now conducted are excessive exchange charges which usually fall upon the wrong parties to the transaction, and the indirect routing of checks in order to avoid these exchange charges, involving paying of interest and drawing of checks against uncollected funds, and also involving an immense "floating fund"—estimated at several hundred millions—improperly counted in bank reserves in some cases, and in other cases kept out of reserves unduly by this circuitous routing.

The Federal Reserve Act is, therefore, as much a reformation of the collection business as of the issue of currency and credit.

The changes to be brought about by the operation of the Act appear to affect in one way adversely most

of the large banks by taking from them the re-deposited reserve balances kept with them by the country banks. They likewise appear to affect in one way adversely the country banks by a reduction in their exchange revenue.

On the other hand, they release for loanable purposes by reduction in the required reserves, an immense amount of bank funds, estimated to be about \$500,000,000 at the present time. This tremendous credit fund given to banks and to their borrowing customers, together with the assurance of additional credit from the Reserve banks—the insurance against high money rates, stringency and disaster—the certainty of obtaining currency when needed—the freedom given to the fullest use of bank reserves by reason of greater stability to business and absence of apprehension, resulting in greater banking profits—the safeguards thrown around loans by the requirement of statements from borrowers, lessening the risk of loss—the machinery provided for the prevention and cure of panics, which have occurred with distressing regularity, causing bankruptcy and ruin, and retarding the growth of the country for periods of two to five years at each recurrence—all give invincible proof of the overwhelming compensating advantages of the Federal Reserve System in its entirety.

It is quite plain that any bank which can give to its depositors the privilege of having stamped across their checks "Collectible at par through the Federal Reserve Bank," will have a decided advantage for the acquisition of new accounts over another bank in the same locality which does not enjoy this privilege. It is also obvious

that any business community possessing this privilege will have a distinct advantage over another where it does not exist.

It is not intended at the outset to take notice of endorsements upon checks—that is to say, they will be received by the Reserve bank *when sent by and drawn upon a member of the collection system*, and prior endorsements will be regarded only when abuses arise which it may be necessary to correct. It is intended to make the collection system as free as possible between members that join the system. *Checks drawn upon a member of the system will be sent direct to that bank, thus preserving the privacy of depositors' relations and giving the privilege of settlement in the most convenient funds.*

In joining the collection system members will not become obligated to send us items on other members, but will, of course, be bound by the agreement to provide us with funds for payment at par of all checks received upon them. Present connections of members, whenever quicker in service or for any reason more satisfactory or advantageous, may, of course, be continued if it is so desired.

The more members that join the system the more satisfactorily will it work for all concerned, *and since it is an essential and inevitable part of the Federal Reserve System*, it will be intensely gratifying if our members will show that loyal co-operative spirit which they have demonstrated at each stage of development, and take the lead in perfecting the most complete district collection plan in operation.



STATE BANKS WILL HAVE RIGHT TO QUIT FEDERAL RESERVE SYSTEM

The Federal Reserve system took another long step forward last month when the Federal Reserve Board virtually decided to allow State banks to enter the system with the right to withdraw and surrender their membership at any time, under proper limitations. Official circles in Washington seem to think that the Board's decision assures the entrance of hundreds of strong State institutions into the system, since it removes the principal objection of the State bankers that apparently, when once in, they must surrender their

charters or liquidate whenever they want to get out.

It is stated that the Board probably will explain in a circular soon to be issued that the only limitation on the withdrawal of State banks shall be as to a maximum retirement of capital and reserves from the system during any one year. It also will be made clear that the Board does not wish to make hard and fast rules governing loans on real estate by State banks, but that it desires only to limit those loans so that a bank's assets will be kept in a fairly liquid condition.



RESERVE BANKS NOT VIOLATING NEUTRALITY

The publication of a Berlin despatch in which Professor Jastrow, of the University of Berlin, was quoted as saying that "the acceptance and endorsement by Federal Reserve Banks in the United States of notes in payment for arms and ammunition purchased by agents of belligerent nations constitute a violation of neutrality, inasmuch as such notes are legal obligations of the United States Government," has produced official denials from both the Federal Reserve Board at Washington

and the Federal Reserve Bank in New York. It is denied that any of the bills purchased or discounted by the Reserve banks are bills drawn against purchases of war munitions by belligerent countries. In any event, it is pointed out, while Federal Reserve notes are obligations of the United States, the drafts discounted or purchased by the Reserve banks are not. It is further stated at the New York bank that not a dollar of the drafts against exports of war munitions has been discounted at the bank for any member institution.

STATE SECRETARIES SECTION

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Minneapolis.

STATE SECRETARIES' BOOK

The thirteenth annual meeting of the Organization of Secretaries of State Bankers Associations, being the Secretaries Section of the American Bankers Association, was held in Richmond, Va., on October 13, 1914. It has been customary for some three or four years to publish its proceedings in the year book of the American Bankers Association, but as the discussions of the Secretaries Section are largely of interest only to the State Secretaries they expressed the wish that this volume be published in separate form. The matter was left to the discretion of the General Secretary.

The volume has just been issued and gives a complete record of the meeting, a historical sketch of the section, list of State Bankers Associations and officials, honorary members (who are ex-Secretaries of State Bankers Associations). The book comprises 125 pages and is handsomely bound in three-quarters morocco.

RECORD ATTENDANCE AT MISSISSIPPI CONVENTION

Several features combined to make the twenty-seventh annual convention of the Mississippi Bankers Association, held May 4th and 5th at Jackson, a memorable one. The attendance was the largest in the history of the Association, and the bankers had the pleasure of listening to addresses on important topics such as the new agricultural tendencies of the South, the State bank legislative enactments and other interesting subjects.

President Henry Hart, President of the Bank of Winona, Winona, in his address dwelt on the guarantee law, and said that while the clause was unfavorable to a large number of associated banks, up to the present it had resulted in increased deposits throughout the State.

The farming situation was discussed by Hon. Bradford Knapp, who is in charge of Farm Demonstration Work for the United States. His subject was "The Banker's Relation to the Newer Agriculture of the South," and he commented on the fact that conditions arising out of the farmer's lack of system had given an impetus to the diversification propaganda. The remedy for the over-production of cotton, crowding out of food-stuffs, forage crops, etc., Mr. Knapp said, was in the hands of the bankers.

Fred W. Ellsworth, Publicity Manager of the Guaranty Trust Company of New York, spoke on the necessity of increasing bank business by properly advertising its services and making its offices attractive.

"A Year of State Bank Supervision" was the text of an address by State Bank Examiner J. S. Love. Examiner Love told of the conditions of bad supervision and losses to depositors and stockholders, out of which

had grown the necessity for adequate banking laws passed by the last Mississippi Legislature.

The Federal Reserve system was explained by A. H. Titus, Assistant Cashier of the National City Bank of New York City, whose subject was "Some Possibilities of Present Day Banking."

According to the report of Secretary Dickson, the Association now has a membership of 271—84 per cent. of all banks, including savings banks, being members of the Association.

The following are the officers elected for the year 1915-16: 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 (re-elected); Treasurer, E. P. Peacock, Cashier Bank of Clarksdale (re-elected).

At a meeting of the members of the American Bankers Association in Mississippi, W. D. Davis, Cashier of the Brookhaven Bank & Trust Company, Brookhaven, was chosen Vice-President for Mississippi. T. W. Yates, Cashier of the Commercial Bank & Trust Company, Laurel, was made a member of the Nominating Committee, and John F. Osborne, President of the Citizens National Bank, Corinth, was selected as alternate.

It was decided to hold the 1916 convention at Laurel during the first half of the second week in May.

The visiting bankers were hospitably entertained, among the features being a trip to the LaVernet Stock Farm, a reception at the home of Mr. and Mrs. Thad B. Lampton, a visit to the State Fair Grounds and a dance at the Country Club.

ALABAMA HEARS REPORTS ON AGRICULTURAL PROGRESS

In attendance of members and interest of the business program, the 23d annual convention of the Alabama Bankers Association, held May 10th, 11th and 12th at Birmingham, was a decided success. Not only were the delegates hospitably entertained by the Birmingham bankers but they also had the pleasure of listening to addresses by several distinguished men. President G. L. Comer, President of the Bank of Eufaula, Eufaula, Ala., in his address referred to the banking legislation which had been introduced in the State Legislature and also told of the work which had been done by the special Committee on Agriculture appointed at the previous convention.

W. P. G. Harding, of the Federal Reserve Board, addressed the convention on the subject of "Check Collections Under the Federal Reserve System." M. B. Wellborn, Chairman of the Board of the Federal Reserve Bank of Atlanta, spoke on the "Influence and Operations of the Federal Reserve System," and H. E.

Blakeslee, Commissioner of Agriculture and Commerce for Mississippi, told of the accomplishment of the "Grown-in-Mississippi" movement. Other addresses were by Dr. George Denny, President of the University of Alabama; Hon. Oscar W. Underwood, Mrs. G. H. Mathis, President of the Alabama Diversified Farming Association, and W. R. Baughman, Manager of the Alabama Crop Diversification Campaign.

The report of Secretary McLane Tilton, Jr., President of the First National Bank, Pell City, was a comprehensive resume of the year's legislative work, which included the proposal to recast the State Banking Law as well as a reference to the Federal Reserve system. Incidentally, Mr. Tilton expressed his belief that the European war had saved the South from the "twin evils of the one-crop system and fair-weather banking."

The following officers were elected: 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 (re-elected); member Executive Council, American Bankers Association, McLane Tilton, Jr., Pell City; Vice-President for Alabama, Ed. B. Crawford, Birmingham; member Nominating Committee, Col. Tom O. Smith, Birmingham.

PROSPERITY TALK HEARD AT KANSAS CONVENTION

The Kansas Bankers Association held its 28th annual convention May 11th and 12th at Independence, with a large gathering of members in attendance. In his address President E. E. Mullaney, President of the Farmers & Merchants Bank, Hill City, reviewed the eventful occurrences of the past six months, national as well as domestic, besides giving the membership a summary of the legislative and other work accomplished by the Association during the year. In his address President Mullaney said, in part:

"Never before has there been a time when so many problems fundamental to true progress presented themselves for solution. They are not merely problems arising from the European war, though these alone are of vital importance aside from the great suffering and distress which has cast a gloom over the whole world, and the question of our foreign relations. Here in our own country we are mostly concerned in the restoration of the national prosperity.

"We want prosperity. Not the kind that is bought with the blood of our brothers across the sea, but the solid and enduring kind which is carved from the great natural resources of this country by American labor and American genius. These problems call for such earnest consideration, clear thought and sober judgment as will lead to a correct decision, and it is up to the bankers and business men of the country as leaders of thought and action in their respective communities to solve these problems, not as partisans, but as patriots."

Addresses were made by Governor Arthur Capper, Hon. Charles F. Lobdell, Banking Commissioner W. F. Benson and Charles B. Wiggin, of Boston. Discussion of a new banking function was led by W. M. Price, of Emporia, Chairman of the Senate Committee on Banks and Banking, followed by J. A. Gibson, of Pittsburg, Kans., Chairman of the House Committee on Banks and

Banking, while Scott Hopkins, of Topeka, presented the bankers' side. A night session was largely given up to a discussion of national affairs by ex-Congressman Charles F. Scott, of Iola. A musical program enlivened the meeting. The corn crop in Kansas was discussed by J. E. Mohler, of the State Board of Agriculture; bank acceptances, overdrafts and savings departments in country banks were handled by Thornton Cooke, of Kansas City, and W. J. Bailey, of Atchison, spoke on the Federal Reserve system.

Other addresses were made by K. V. Haymaker, of Ohio, on rural credits; S. N. Hawkes, Assistant Attorney-General at Topeka, on some legal phases of banking, and Alfred Docking on the financial aspect of farming from the point of view of the Kansas State Grange. A splendid dinner and theater party concluded the meeting.

NEW JERSEY CONVENTION ENDORSES PRESIDENT WILSON

One of the most important acts of the New Jersey bankers' 12th annual convention, held at Atlantic City May 7th and 8th, was the passage of a resolution heartily endorsing the stand taken by President Wilson in regard to the "Lusitania" incident. The resolution, which was introduced by Uzal H. McCarter, President of the Fidelity Trust Company, Newark, and unanimously adopted, provided—

"That the bankers of the State of New Jersey, in convention assembled, with due appreciation of the critical situation of the Government of the United States confronting it, reaffirm and express their loyalty to the President of the United States in this his hour of great care and anxiety, and further beg to convey to him their full support and admiration of the dignified, calm, but firm stand taken by him in his relations with the foreign governments, as is so clearly expressed in the latest official statement to the German Government. The bankers of the State of New Jersey believe in and pray for peace and prosperity consistent with national honor, and are content to rest in perfect security in the fullest confidence that these blessings will be our country's portion under the skilful guidance of the President."

The above resolution was telegraphed to President Wilson.

The bankers were welcomed by Acting Governor Walter E. Edge of New Jersey, suitable response being made by President I. Skowden Haines, Cashier Mechanics National Bank, Burlington. George M. La Monte, Banking and Insurance Commissioner of New Jersey, discussed the banking situation in the State in lighter vein.

The Federal Reserve Act was bitterly attacked by former Congressman Charles N. Fowler, who stigmatized the law as 170 per cent. bad. Governor Strong, of the Federal Reserve Bank of New York, followed Mr. Fowler on the program and referred briefly to his talk, stating that the Federal Reserve system was on trial and deserved a fair test from the commercial world before any radical changes were made. Governor Strong also presented statistics to show that under the reserve system the country was better prepared to meet any sudden strain than it had been under the old system.

The election of officers resulted as follows: Presi-

dent, Edward S. Pierson, President of the Greenville Banking & Trust Company, Jersey City; Vice-President, John D. Everitt, President of the Orange National Bank, Orange; Secretary, William J. Field, Secretary and Treasurer of the Commercial Trust Company, Jersey City (re-elected); Treasurer, William Chambers, President of the Vineland Trust Company, Vineland.

Addresses were made also by George H. Kretz, National Park Bank, New York, and Fred W. Ellsworth, New York, the latter advocating persistent publicity for banking institutions to strengthen public confidence.

The speakers at the banquet were Hon. John Barrett, Director General of the Pan-American Union; Hon. Samuel H. Thompson, Jr., Assistant Attorney General of the United States, and Robert Frothingham, of New York City.

BANKERS AT LAKE MOHONK

Group VI, New York State Bankers Association, may be classed as one of the most active of the Groups in the various State Bankers Associations of the United States. Group VI holds an annual banquet in New York City during the Winter, and it has also had, for several years, a family party at Lake Mohonk Mountain House, Mohonk Lake, N. Y., during May.

Bankers with their wives and daughters to the number of 100 were at Lake Mohonk on May 14th and 15th, enjoying the hospitality and delightful surroundings of one of the most attractive resorts in this country. A banquet was given on the evening of May 14th. The speakers were the Hon. William M. Calder, Brooklyn, N. Y.; Capt. Silver, United States Military Academy, West Point, N. Y., and the Hon. Edmund Platt, of Poughkeepsie, N. Y.

Impromptu remarks were also made by General Secretary Farnsworth; William J. Henry, of New York, Secretary, and John H. Gregory, of Rochester, Treasurer of the New York State Bankers Association. William Schickle, Cashier Fallkill National Bank, Poughkeepsie, N. Y., Chairman of Group VI, presided at the banquet in a most excellent manner and had general charge, as well, of the arrangements for this family party.

TEXAS BANKERS HOLD CONVENTION AT WACO

The Texas Bankers Association held its 31st annual convention at Waco, May 18th, 19th and 20th. President J. A. Pondrom, Vice-President of the South Texas Commercial National Bank, presided, and reviewed the events of the past year.

The report of Secretary J. W. Hoopes, Vice-Governor of the Federal Reserve Bank, Dallas, showed a total membership of 1,366. The reports of Treasurer George D. Campbell, Vice-President of the State Bank & Trust Company, San Antonio, and the Association's detective, W. A. Boyd, were most satisfactory.

The bankers were addressed by W. P. G. Harding, member of the Federal Reserve Board.

Other addresses were given by B. C. Roberts, of Wharton; R. M. Walker, of Cooper; James C. McNary, of El Paso; R. S. Hawes, President of the Missouri

Bankers Association; George Woodruff, of Joliet, Ill.; E. F. Drake and W. W. Woodson, of Waco, and Joseph Wilmarth, of Ballinger. The Warehouse Law was discussed by F. C. Weinert, of Seguin.

At a meeting of the Texas members of the American Bankers Association Ewing Norwood, Cashier of the Farmers State Guaranty Bank, Navasota, was elected a member of the Executive Council; W. W. Woodson, Cashier of the Central Texas Exchange National Bank, Waco, was elected Vice-President for Texas, and F. M. Law, Vice-President of the First National Bank, Houston, was elected a member of the Nominating Committee, with T. J. Record, President of the City National Bank, Paris, as alternate.

Officers elected by the Texas Bankers Association are: President, Joseph Hirsch, Vice-President Corpus Christi National Bank, Corpus Christi; Vice-Presidents, Aug. De Zavala, Houston; R. K. Mims, Laredo; R. J. Eckhardt, Taylor; C. M. Campbell, Temple; J. W. Murchison, Athens; L. L. Shield, Santa Ana; F. H. Sherwood, Fort Worth; Treasurer, C. A. Fisk, Cashier Amarillo Bank & Trust Company, Amarillo. In accordance with an amended by-law, the Secretary and Assistant Secretary are to be chosen by the Executive Committee.

The 1916 convention will be held in Houston.

MISSOURI MEETING BREAKS ALL ATTENDANCE RECORDS

The twenty-fifth annual convention of the Missouri Bankers Association was held at Kansas City May 25th and 26th, with a record registration of over 1,700. President R. S. Hawes, Vice-President of the Third National Bank, St. Louis, presided and addressed the Association in detail on the results of its various activities during his administration.

The reports of the Secretary and of the Council of the Administration, by W. F. Keyser, and the report of the Treasurer, Thornton Cooke, showed the affairs of the Association to be in a flourishing condition.

An attractive program was provided, including addresses by Wm. A. Law, President of the First National Bank, Philadelphia, and President of the American Bankers Association, on "Current Banking Problems"; ex-Governor Myron T. Herrick, of Cleveland, on "Rural Credits"; George E. Roberts, Assistant to President National City Bank, New York, on "Economic Effects of the War"; Breckenridge Jones, of St. Louis, on "The Recent Revision of the Banking Laws of Missouri"; ex-Governor A. O. Eberhart, of Minnesota, on "A Message from the Country Folks to the Bankers of Missouri"; Professor O. M. W. Sprague, of Harvard, on "The Federal Reserve System and the Country Banker." A legal discussion on technical banking subjects was conducted under the direction of Wm. McC. Martin, Chairman of the Federal Reserve Bank of St. Louis.

The following officers were elected: President, W. C. Gordon, Cashier of the Farmers Savings Bank, Marshall; Vice-President, Thornton Cooke, Vice-President of the Fidelity Trust Company, Kansas City; Treasurer, W. B. Hanford, President of the Holland Banking Company, Springfield. Secretary W. F. Keyser, of Sedalia, was re-elected.

The Missouri members of the American Bankers

Association met and elected the following: R. S. Hawes, of St. Louis, and J. W. Perry, President South-west National Bank of Commerce, Kansas City, members of the Executive Council; E. F. Swinney, President First National Bank, Kansas City, member of the Nominating Committee.

OKLAHOMA HEARS R. L. OWEN TALK ON RURAL CREDITS

The Oklahoma Bankers Association signalized its nineteenth annual convention at Tulsa, May 13th and 14th, by passing a resolution opposing any acts that might embroil this country in the European conflict as a result of the "Lusitania" incident and expressed its confidence in President Wilson's ability to handle the situation.

An important feature on the program was a talk by Senator Robert L. Owen on "Rural Credits." He told of the success with which the system had been installed in Germany, and invited suggestions from bankers here for working out the details of a suitable system for this country. A. E. Ramsay, Deputy Reserve Agent of the Federal Reserve Bank of Kansas City, spoke briefly on the operations of the system.

The convention passed resolutions expressing confidence in the success of the reserve system; pledging greater interest among the bankers in the promotion of more extensive stock raising and scientific farming; expressing gratification at the attachment of southern Oklahoma to the Kansas City district.

The election of officers resulted as follows: President, T. H. Dwyer, President of the Chickasha National Bank, Chickasha; Vice-President, L. E. Phillips, Cashier of the Bartlesville National Bank, Bartlesville; Secretary, W. B. Harrison, Oklahoma City (re-elected); Treasurer, John A. Holt, Cashier of the Farmers State Bank, Gage.

At a meeting of the Oklahoma members of the American Bankers Association George D. Davis, Cashier of the National Bank of Claremore, Claremore, was elected a member of the Executive Council to succeed Asa E. Ramsay; Guy Robertson, Cashier of the First National Bank, Lawton, was elected Vice-President for Oklahoma, and A. L. Churchill, Director of the Farmers State Bank, Vinita, was chosen a member of the Nominating Committee.

GEORGIA BANKERS HOLD SUCCESSFUL CONVENTION

The twenty-fourth annual convention of the Georgia Bankers Association was held at Savannah, May 27th, 28th and 29th. The bankers were welcomed by Mayor Davant, Robert F. Maddox, of Atlanta, responding, after which President Lee G. Council, President of the Planters Bank, Americus, presented his annual address.

The usual prosperous condition of the association was shown in the reports of Treasurer E. C. Smith, Vice-President and Cashier of the Griffin Banking Company, Griffin, and Secretary Haynes McFadden, of Atlanta.

W. P. G. Harding, of the Federal Reserve Board, spoke interestingly on the Federal Reserve System; F. J. H. Von Engelkin, of Florida, on "Credit and the

Farmer." and Colonel Thomas B. McAdams, Vice-President of the Merchants National Bank, Richmond, on "The Philosophy of Banking."

The officers elected for the current year are: President, F. S. Etheridge, President Jackson National Bank, Jackson; Vice-Presidents, Charles B. Lewis, Macon; R. H. Brown, Augusta; Joseph W. Heffernan, Savannah; T. R. Turner, Haddock; W. H. Martin, Atlanta. Secretary, Haynes McFadden, Atlanta (re-elected); Treasurer, E. C. Smith, Vice-President and Cashier Griffin Banking Company, Griffin (re-elected).

At a meeting of the Georgia members of the American Bankers Association the following officers were elected: Member of the Executive Council, Robert F. Maddox, Vice-President American National Bank, Atlanta; George H. Smith, Cashier Brunswick Bank & Trust Company, Brunswick, was elected to fill the unexpired term of Joseph A. McCord, who resigned to become Governor of the Federal Reserve Bank of Atlanta; Vice-President for Georgia, Courtney Thorpe, Vice-President Savannah Bank & Trust Company, Savannah; Member of the Nominating Committee, Henry Blun, President Germania Bank, Savannah.

CONVENTION CALENDAR

June	10-11	Utah.....	Salt Lake City
"	12	Maine	Augusta
"	15-16	South Carolina.....	Isle of Pines
"	16-17	North Dakota	Bismarck
"	17-18	Pennsylvania.....	Cape May, N. J.
"	17-19	Virginia	Old Point Comfort
"	17-19	North Carolina.....	Wrightsville Beach
"	18-19	Joint Meeting N. E. Bankers Assns., The Griswold.....	New London, Conn.
"	18-19	New Hampshire.....	New London, Conn.
"	18-19	Connecticut	New London, Conn.
"	19	Massachusetts	New London, Conn.
"	22-23	Iowa	Davenport
"	22-24	Maryland.....	Cape May, N. J.
"	23-24	Ohio	Cedar Point
"	24-25	New York.....	Saratoga Springs
"	25-26	South Dakota	Deadwood
"	29-30	Minnesota	St. Paul
July	14-15	Wisconsin	Milwaukee
"	15-16	West Virginia....	White Sulphur Springs
"	27-29	Michigan	Grand Rapids
Aug.	13	Wyoming	Place Not Decided
"	18-20	Am. Inst. of Banking—	San Francisco, Cal.
Sept.	3-4	Montana.....	Glacier National Park
"	6-7	Washington	Seattle
"	6-10	Amer. Bankers Assn.....	Seattle, Wash
"	20-22	Investment Bankers Assn....	Denver, Col.
Oct.	6-7	Kentucky	Frankfort
"	12-13	Indiana	Indianapolis
"	14-15	Illinois	Joliet
"	—	New Mexico	Roswell
Date not decided.		National Association of Bank Super- visors	Olympia, Wash.
Date not decided.		Farm Mortgage Bankers Association, St. Louis, Mo.	

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INFORMATION COMPILED FOR USE IN STUDY OF AGRICULTURAL CREDIT IN THE UNITED STATES

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GOLD RESERVE IN URUGUAY

The gold reserve of the Bank of the Republic of Uruguay now amounts to \$16,526,848, distributed in the following forms: Gold of the bank, \$12,950,093; gold deposited for other banks, \$1,995,494; gold deposited in Uruguayan legations, \$1,581,261; total, \$16,526,848. The notes in circulation on the basis of the bank's own gold

reserve amount to \$18,035,765 and sight bills to \$5,679,015. The proportion of gold to bills and notes is therefore 54.61 per cent. Notes outstanding on the basis of gold held for other banks and of that deposited in legations of Uruguay abroad are in the proportion of 100 per cent. The entire note circulation is \$21,612,520.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

BANK OFFICER AS BENEFICIARY IN MEMBER BANK TRANSACTIONS

The Counsel of the Federal Reserve Board, M. C. Elliott, has recently rendered an opinion interpreting Section 22 of the Federal Reserve Act, which provides:

Other than the usual salary or director's fee paid to any officer, director or employe of a member bank and other than a reasonable fee paid by said bank to such officer, director, or employe for services rendered to such bank, no officer, director, employe, or attorney of a member bank shall be a beneficiary of or receive directly or indirectly any fee, commission, gift or other consideration for or in connection with any transaction or business of the bank * * *. Any person violating any provision of this section shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both.

After pointing out that no ruling or interpretation of the Federal Reserve Board which it might attempt to apply to any concrete case would afford protection to a person subsequently indicted by a Federal Grand Jury and therefore abstaining from expressing an opinion on various concrete cases presented, the Counsel proceeds to analyze for the benefit of those making inquiries, the section in question. He says:

The question for determination appears to be, What class and character of transactions did Congress intend to prohibit as between member banks and their officers, directors and employes.

It will be observed that directors, officers and employes are expressly prohibited from receiving any compensation on account of any transaction except (a) the usual salary or director's fee paid to any officer, director or employe of a member bank, and (b) a reasonable fee paid to such officer, director or employe for services rendered to such bank. Under this language it would seem that for services rendered by directors, officers and employes in their respective capacities of directors, officers and employes proper compensation may be paid, and that in addition where services are rendered in some other capacity a reasonable fee may in certain cases be paid for such services. It is, therefore, necessary to interpret the language "for services rendered," in order to determine under what circumstances directors, officers or employes may render services in any other than an official capacity and receive compensation therefor without violating the spirit and intent of the Act.

The Standard Dictionary defines "services" as: "Any work done for the benefit of another; the act of helping another or promoting his interest in any way; hence also a benefit conferred; or use and advantage in general." In 35 Cyc., page 1434, "service" is defined as "an advantage conferred; that which promotes interest or happiness; benefit." Webster's Dictionary, quoted in *Dayton v. Ewart*, 28 Mont. 157.

In this connection it must be noted that the courts in construing penal statutes generally give the defendant the benefit of the doubt in cases of ambiguity, and in consequence the language "for services rendered" would probably be given a liberal rather than a restricted meaning. The court, however, would necessarily consider all the circumstances in each case in order to determine whether the trans-

action involving such services was intended to be prohibited by the terms of the Act. The rule is clearly stated in the case of the United States v. Starn, 17 Fed. Rep. 435, where the court says:

"It is a fundamental rule in the administration of criminal law that penal statutes are to be construed strictly, and that cases within the like mischief are not to be drawn within a clause imposing a forfeiture or a penalty, unless the words clearly comprehend the case. In construing a statute we ought undoubtedly to look at the public mischiefs which are sought to be suppressed, as well as the obvious object and intent of the Legislature in enacting it; and in doubtful cases these have great influence on the judgment in arriving at its meaning."

And again in *Bolles v. Outing Company*, 175 U. S. 262, where the court says:

"The statute, then, being penal, must be construed with such strictness as to carefully safeguard the rights of the defendant and at the same time preserve the obvious intention of the Legislature. If the language be plain, it will be construed as it reads, and the words of the statute given their full meaning; if ambiguous, the court will lean more strongly in favor of the defendant than it would if the statute were remedial. In both cases it will endeavor to effect substantial justice."

See to same effect *U. S. v. Wiltberger*, 5 Wheat. 16; *U. S. v. Morris*, 14 Peters, 464; *U. S. v. Buchanan*, 9 Fed. Rep. 689.

Following the rule laid down in these and other cases, it is proper to construe liberally that part of the Act which excepts certain transactions from its operation, but the true test in each case would seem to be whether or not compensation has been received in a transaction which may be said to come within what the court describes as "the public mischiefs which are sought to be suppressed."

Giving a liberal interpretation to the language "for services rendered," it would seem that a director of a member bank may receive, in addition to the usual salary or fee for services rendered as director, reasonable compensation in those transactions where a bona fide consideration moves from such director to the bank, provided the transaction is one in which it is proper for him to render such services or to furnish such consideration. Congress clearly intended to prohibit the receipt of any compensation, commission or benefit, either from the bank or from a third party, where the director furnishes no consideration to the bank.

A consideration of the law prior to the passage of this Act, and of the "public mischiefs sought to be suppressed," clearly indicates, however, that the sufficiency of the consideration is not the only element involved; and that Congress intended to prohibit not only the payment of fees when no consideration is furnished, but also another class of transactions, namely, those in which the director, by reason of his control of the assets, undertakes to use such assets for his own purposes. In such case the director may furnish a consideration; but inasmuch as he occupies at least a quasi-fiduciary relation as custodian of the funds of others, it may be inferred that Congress deemed it against public policy to permit him to use such funds directly or indirectly for his benefit.

It is unquestionably true that in conservatively managed banks transactions engaged in as between the bank and the directors acting as individuals have resulted in great benefit to the bank. A director connected with other successfully managed corporations may very frequently be the agency through which the bank makes profitable investments, and directors having large interests in their banks have in many cases materially added to the earnings of such banks through the agency of other firms or corporations in which they were likewise interested. Consequently transactions between a National bank and its directors were, prior to the passage of this Act, not made criminal by statute, and, as a matter of fact, were not restricted. On the other hand, to incur a criminal penalty it has heretofore been necessary for the transaction to be of such a fraudulent nature as to constitute misapplication of funds or embezzlement. It is true that under the provisions of the National Bank Act a director may be punished by a fine or imprisonment for making a false entry or a false report with intent to deceive the office of the Comptroller or the public, but in such cases the penalty is based not upon the ground that a prohibited transaction has been engaged in, but rather upon the ground that the true status of the bank has been concealed by such false entry or false report.

Under the National Bank Act the only penalties prescribed for the use of funds of the bank by directors, where such use does not amount to misapplication or embezzlement, are of a civil nature. For example, the directors may be held liable, civilly, where excess loans or loans upon real estate are made and loss results thereby, or for the violation of any of the provisions of the Act the Comptroller may institute a suit for the forfeiture of the charter of the bank.

While "directors" have been specifically referred to in the foregoing discussion, analogous principles apply with equal force to transactions involving officers or employees.

It may be assumed, therefore, that Congress intended to restrict transactions between member banks and the officers, directors and employees of such banks, since experience has demonstrated the fact that although the bank may be the beneficiary in many or most instances of such unrestricted transactions, this lack of restriction has afforded a wide field for dishonesty and fraud not punishable by statute or under the common law.

To summarize transactions permitted under the views herein expressed, a director, officer or employe of a member bank may receive compensation from such bank where services are rendered in his official capacity, or where bona fide services are rendered, or an adequate consideration is furnished to the bank by such director, officer or employe acting in his individual capacity, provided the transaction engaged in is not one in which the use of his official position could in any way be instrumental in causing the payment of the fee, commission, gift or other consideration received.

In no case should compensation be received by such director, officer or employe from a third party for services rendered in his official capacity when such compensation results from a transaction between such third party and a member bank.

As above suggested, it is not within the province of the Federal Reserve Board to make an official ruling on the subject under consideration, and the foregoing analysis is intended merely as an expression of individual opinion as to what transactions Congress intended to prohibit by that part of Section 22 which is under consideration.

NEGOTIABILITY OF BILLS OF EXCHANGE AND ACCEPTANCES

The following opinion has been rendered the Governor of the Federal Reserve Board by its counsel on the subject of conditions attached to bills of exchange and acceptances which affect their negotiability:

It is somewhat difficult to define in specific terms what conditions may or may not be prescribed in a bill of exchange without affecting the negotiability of such bill, since the Negotiable Instruments Laws of all the States are not identical and the decisions of the various courts on this subject are by no means uniform.

As I understand it, the Board has under consideration the question of prescribing a method by which bills of exchange or acceptances dealt in by member banks or Federal Reserve banks may show that such bills or acceptances grow out of transactions involving the exportation or importation of goods without affecting their negotiability, and it is primarily upon this question that you desire an opinion.

In dealing with this subject it is important to keep in mind the distinctive difference between a bill of exchange and an acceptance and also the difference in status between an acceptor and a drawer of a bill.

Section 126 of the Negotiable Instruments Law adopted by 41 States and the District of Columbia defines a bill of exchange as an "unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money to order or to bearer."

Section 127 states that—

"A bill of itself does not operate as an assignment of the funds in the hands of the drawee avail-

able for the payment thereof, and the drawee is not liable, on the bill unless and until he accepts the same.

Until the bill is accepted, therefore, the drawer is primarily liable and the bank discounting such bill can have recourse only against the drawer or a prior indorser in the event that the drawee declines to accept such bill when presented.

The acceptance of a bill is defined by Section 132 of the Negotiable Instruments Law as—

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

When a bill has been accepted, the acceptor becomes primarily liable and the contract of the drawer is substantially changed to that of indorser.

It will be observed from the foregoing that a bill of exchange in order to be negotiable must not only be payable to order or bearer, so that title may be transferred by the holder, but it must also be an unconditional order to pay in money.

A conditional acceptance is defined in 4 Am. & Eng. Encl. of Law, 224, as an undertaking by a drawee to pay, dependent, however, upon the performance or happening of a stipulated condition or contingency. But, as shown later, a general acceptance of a conditional bill is also in effect a conditional acceptance. The terms, therefore, both of the order to pay, as indicated by the bill of exchange when drawn and the acceptance as indicated by the language used by the acceptor, must be free from qualifications or conditions if the bill or acceptance is to retain in all respects its negotiability and to be free from equities existing between the drawer

and the drawee or the acceptor. This being true, the question arises as to what form may be used to show the transaction on which the acceptance is based without destroying its negotiability.

The Federal Reserve Act provides that acceptances to be eligible for discount by Federal Reserve banks must grow out of transactions involving the exportation or importation of goods. It is to be assumed, therefore, that ultimately the proceeds of the sale of the goods imported or exported are to be used to extinguish the debt evidenced by the acceptance. To avoid any question of negotiability, however, neither the bill as drawn nor the acceptance made must be in terms to indicate that the payment is to be confined to such proceeds. As stated by Norton, on Bills and Notes, Third Edition, page 138—

"The true test is whether the drawee is confined to the particular fund, or whether, though a particular fund is mentioned, the drawee may charge the bill up to the general account of the drawer if the designated fund turn out to be insufficient. It must appear that the bill of exchange is drawn on the general credit of the drawer. It must carry with it the personal credit of the drawer, not confined to any fund."

This being true of a bill of exchange, the question arises whether or not the contract of acceptance is wholly independent of the terms contained in the bill. The cases and authorities all agree that a general acceptance of a bill of exchange is an undertaking on the part of the drawee to pay the bill absolutely according to its tenor. (4 Am. & Eng. Encl. of Law 207; English Bills of Exch. Act, sec. 17; Cox v. National Bank, 100 U. S. 704, 712; Bailey on Bills, 2d Am. Ed. 154.)

Consequently if the bill orders payment out of a particular fund, a general acceptance thereof is an undertaking to pay out of that fund and no more, and it is, therefore, a conditional acceptance, though general in form. (Hoagland v. Erick, 11 Nebr. 580; Newhall v. Clark, 3 Cush. [Mass.] 376; Smith v. Wood, 1 N. J. Eq. 74; Cook v. Wolfendale, 105 Mass. 401.)

It is to be remembered, of course, that an acceptance may be conditional and therefore non-negotiable, even though the bill itself was unconditional, if the terms in the contract of acceptance specify that payment is to be made out of a particular fund or is dependent upon the happening of a certain contingency. As Justice Clifford stated in Cox v. National Bank, supra, "An acceptance is an engagement to pay the bill according to the tenor of the acceptance and * * * a general acceptance is an engagement to pay according to the tenor of the bill."

The difficult question, however, is to construe the words used, to apply the test given in Norton, to determine whether in fact the acceptance is conditional; or, more specifically, to determine whether the drawee is confined to a particular fund merely by a reference on the bill or in the acceptance to that fund. It is a question for the court to determine in each individual case, because, the facts being proved or admitted, the question whether an under-

taking is a conditional acceptance is a question of law for the court to decide. *Sproat v. Matthews*, 1 Term. R., 182.

It was held in *Corbett v. Clark*, 45 Wis. 403, that an order to "pay C. A. Corbett \$183 and take the same out of our share of the grain" was an unconditional bill and a general acceptance thereof also unconditional. The court held that this was a mere direction as to the fund out of which the drawee was to reimburse himself. In *Redman v. Adams*, 51 Maine 433, where the words of the bill were "charge the same against whatever amount may be due me for my share of fish caught on board schooner *Morning Star*," and the acceptance was general, the court held that this was a mere reference to the fund to call the attention of the drawee to his means of reimbursement.

The great majority of cases incline to the view that the presumption is in favor of an unconditional order and unless the direction on the bill or acceptance clearly and expressly directs payment to be made out of a certain fund the court will consider it merely as a reference to the mode of reimbursement rather than an absolute restriction to the particular fund mentioned.

In a case decided in May, 1911, by the United States Circuit Court for the Southern District of New York (*Hannay et al. v. The Guaranty Trust Company of New York*, 187 Fed., 686) it was held that "Value received and charge the same to the account of 100/RSMI bales of cotton" written on a draft made it conditional because it limited payment to the proceeds of this particular cotton. The draft having been held to be conditional, a general acceptance thereof was also held to be conditional. It is true that this decision was reversed in the United States Circuit Court of Appeals in 210 Fed. 810, but on the ground that the English instead of the American law applied to this particular transaction, and without any attempt on the part of the court to decide whether the lower court was right or wrong under the American law. Thus it is seen how difficult it is to determine how a court will rule on any specific case. The rule or test is always the same, but whether the facts are within or without the rule is merely a matter of opinion. Extreme cases are easy to decide, but as the cases verge toward the center the line of demarcation becomes hazy and difficult of determination.

It would seem, therefore, that Federal Reserve banks and member banks should consider carefully the risk involved in discounting bills of exchange or acceptances which in terms indicate any particular fund or any particular property out of which payment of the draft is to be made, because of the doubt as to the construction that might be put upon such a bill or acceptance. It would be far more prudent to require that the directions be to pay money and to charge to the account of the drawer, without any qualification as to any particular fund. There is no doubt, however, that a reference, in general terms, on the face of a bill to the fact that it is based on the importation or exportation of goods would not make it conditional and non-negotiable.

CONFISCATION OF ENEMY'S PROPERTY IN EVENT OF WAR

A number of inquiries have been received from bankers relative to possible confiscation of money on deposit, or of property in the names of or belonging to citizens of an enemy in the event war should be declared between the United States and any foreign power. The following memorandum has been prepared:

Under international law, private property on land not being used in aid of the war is not sub-

ject to confiscation by the rules thereof. Hague Convention (1907), Laws and Customs of War on Land. "Art. 46: Private property cannot be confiscated. Art. 47: Pillage is formally forbidden." (2 Malloy Treaties, etc., between U. S. and Other Powers 2280.)

In *Hawkins v. Nelson*, 40 Ala. 553, the court, in discussing this question, said:

"In the general operation of war it is now the true and universally acknowledged rule of the law of

nations that private property, *on land*, is exempt from capture and confiscation. Gardner's Institutes, 612. This exemption extends even to the case of an absolute and unqualified conquest of the enemy's country. Wheaton's Int. Law, 346-7. And eminent publicists contend that 'the moral sense of mankind will soon compel all Christian nations to abstain from pirating on private property and persons non-combatant, *at sea*, as well as *on land*. The principles of the gospel—the basis of public law—require that war by sea and land should respect private persons and property.' Gardner's Institutes, 619. But to the general rule of international law above stated there are exceptions. Private property may be taken from enemies in the field, or in besieged towns, or by levies of military contributions, or when it is contraband of war, or necessary for supplies or military purposes."

Private property may be seized, however, when needed in the course of military operations; but upon conclusion of peace it should be restored or compensation made. Hague Convention (1907), Laws and Customs of War on Land, Art. 53, 2 Malloy Treaties, etc., between the U. S. and Other Powers, 2289; Tyson v. Rogers, 33 Ga. 473; Ferguson v. Loar, 5 Bush (Ky.) 689; Hijo v. U. S., 194 U. S. 315; Gallego v. U. S., 43 Ct. Cl. 444; Nephews v. U. S. 43 Ct. Cl. 430.)

Oppenheim, in his work on International Law Vol. 2, sec. 102), has this to say in regard to belligerents' property situated in the enemy state at the time of the outbreak of hostilities:

"In former times all private and public enemy property, immovable, on each other's territory could be confiscated by the belligerents at the outbreak of war, as could also enemy debts; and the treaties concluded between many States with regard to the withdrawal of each other's subjects at the outbreak of war stipulated likewise the unrestrained withdrawal of the private property of their subjects. Through the influence of such treaties, as well as of municipal laws and decrees enacting the same, an international usage and practise grew up that belligerents should neither confiscate private enemy property nor annul enemy debts on their territory. The last case of confiscation of private property is that of 1793, at the outbreak of war between France and Great Britain. No case of confiscation has occurred during the nineteenth century, and although several writers maintain that according to strict law the old rule, in contradistinction to the usage which they do not deny, is still valid, it may safely be maintained that it is obsolete, and that there is now a customary rule of international law in existence prohibiting the confiscation of private enemy property and the annulment of enemy debts on the territory of a belligerent. Accordingly the embargo of enemy ships in the harbors of the belligerents at the outbreak of war is no longer made use of, and a reasonable time is granted to them to leave those harbors. On the other hand, this rule does not prevent a belligerent from suspending the payment of enemy debts till after the war for the purpose of prohibiting the increase of enemy resources; from seizing public enemy property on his territory, such as funds, ammunition, provisions and other valuables; and from preventing the withdrawal of private enemy property which may be made use of by the enemy for military operations, such as arms and munitions. And it may be expected in the future that those enemy mail boats which were built from special designs for the purpose of quickly turning them into cruisers of the navy will be prevented from leaving ports of a belligerent at the outbreak of war."

(The indulgence granted to enemy merchantmen in Russian and Japanese ports at the outbreak of the war in 1904, to leave those ports unmolested within a certain period of time, was made dependent upon the absence of contraband in the cargoes. Lawrence, War, p. 52-55.)

Under Municipal Law. The rule seems to be well recognized, however, that a belligerent nation may, by a valid municipal law, authorize the confiscation of private property of the enemy. (Norris

v. Doniphan, 4 Metc. [Ky.] 385 [holding that the existence of a public war gives to Congress the power, as a belligerent right, to confiscate an enemy's property on land, though such is not the usage of nations]; Bell v. Chapman, 10 Johns. [N. Y.] 183; Corbett v. Nutt, 10 Wall. [U. S.] 464.)

In the United States, since the adoption of the Federal Constitution, the sole power of authorizing confiscation of the enemy's property has been vested in Congress as an incident to its war powers. (U. S. Const., art. I, sec. 8, Cl. 11; Britton v. Butler, 4 Fed. Cas. No. 1903, 9 Blatchf. 456; Brown v. United States, 8 Cranch [U. S.] 110, [where the court, by Chief Justice Marshall, used the following language: "This usage [of nations] is a guide which the sovereign follows or abandons at his will. The rule, like other rules of morality, of humanity, and even of wisdom, is addressed to the judgment of the sovereign; and although it cannot be disregarded by him without obloquy, yet it may be disregarded.

* * * Respecting the power of the Government [to confiscate the property of alien enemies on land] no doubt is entertained. That [public] war gives to the sovereign full right to take the persons and confiscate the property of the enemy wherever found is conceded. The mitigations of this rigid rule, which the humane and wise policy of modern times has introduced into practise, will more or less affect the exercise of this right, but cannot impair the right itself. That remains undiminished, and when the sovereign authority shall choose to bring it into operation the judicial department must give effect to its will. But until that will shall be expressed no power of condemnation can exist in the courts.")

Indeed, Congress, in several notable and memorable instances, has already exercised such power. During the Civil War several important confiscation acts were passed by Congress. (See U. S. Stat. L. 589, 627. See also United States v. One Hundred and Fifty-six Packages of Tea, 27 Fed. Cas. No. 15,933.)

Wheaton, in his "Elements of International Law" (3d Ed.), p. 347, says: "It appears, then, to be the modern rule of international usage that property of the enemy found within the territory of the belligerent State, or debts due to his subjects by the Government or individuals, at the commencement of hostilities are not liable to be seized and confiscated as prize of war. This rule is frequently enforced by treaty stipulations, but unless it be thus enforced it cannot be considered as an inflexible, though an established rule. 'This rule,' as it has been beautifully observed, 'like other precepts of morality, of humanity, and even of wisdom, is addressed to the judgment of the sovereign—it is a guide which he follows or abandons at his will; and although it cannot be disregarded by him without obloquy, yet it may be disregarded. It is not an immutable rule of law, but depends on political considerations, which may continually vary.' Among these considerations is the conduct observed by the enemy. If he confiscates property found within his territory, or debts due to our subjects on the breaking out of war, it would certainly be just, and it may under certain circumstances be politic to retort upon his subjects by a similar proceeding. The principle of reciprocity operates in many cases of international law. It is stated by Sir W. Scott to be the constant practise of Great Britain, on the breaking out of war, to condemn property seized before the war, if the enemy condemns, and to restore if the enemy restores.

* * * The ancient law of England seems thus to have surpassed in liberality its modern practise. In the recent maritime war commenced by that country it has been the constant usage to seize and condemn as droits of admiralty the property of the enemy found in its ports at the breaking out of hostilities, and this practise does not appear to have been influenced by the corresponding conduct of the enemy in that respect.

"During the war between the United States and Great Britain, which commenced in 1812, it was determined by the Supreme Court that enemy's prop-

erty found within the territory of the United States on the declaration of war could not be seized and condemned as prize of war without some legislative act expressly authorizing its confiscation. The court held that the law of Congress declaring war was not such an act. That declaration did not, by its operation, so vest the property of the enemy in the Government as to support judicial proceedings for its seizure and confiscation. It vested only a right to confiscate, the assertion of which depended on the will of the sovereign power.

"The judgment of the court stated that the universal practise of forbearing to seize and confiscate debts and credits, the principle universally received, that the right to them revives on the restoration of peace, would seem to prove that war is not an absolute confiscation of this property, but that it simply confers the right of confiscation."

From a perusal of the above authorities, and decisions of our own Supreme Court, the following seems to be fairly deducible:

Commercial nations in the situation of the United States have always a considerable quantity of property in the possession of their neighbors. When war breaks out the question what shall be done with enemy's property in our country is, or becomes, a question rather of policy than of law. The rule which we apply to the property of our enemy will be applied by him to the property of our citizens. Like all other questions of policy, it is a question which should properly be considered by a department which can modify it at will (i. e., the legislative); not for the consideration of a department which can pursue only the law as it is written. It is therefore proper for the consideration of the legislative department, and not of the executive or judiciary. In *Brown v. United States*, 8 Cranch (U. S.) 110, cited supra, it was held that the declaration of war does not *ipso facto* work a confiscation of enemy property within our borders, but that the power of confiscating such property was in the Legislature (Congress), and that until the Legislature had declared its will on the subject it remained *in statu quo*.

Enemy Merchantmen in Belligerent Ports. The case of merchantmen of the enemy in a belligerent port at the outbreak of hostilities stands on rather a different footing from other enemy property in a belligerent country at such time, and different factors enter into the consideration and solution of such case, and the formulation of the rules to govern therein.

In former times international law empowered States at the commencement of hostilities to lay an embargo upon all enemy merchantmen in their harbors in order to confiscate them. And enemy merchantmen on the sea could at the outbreak of war be captured and confiscated although they had not even been apprised of the outbreak of war. However, beginning with the outbreak of the Crimean War, in 1854, it became a usage, if not a custom, that no embargo could be laid on enemy merchantmen in the harbors of belligerents at the outbreak of war for the purpose of confiscating them, and that a reasonable time must be granted them to depart unmolested.

However, no crystallized rule was in existence until the Second Peace Conference of 1907, at The Hague, which prescribed immunity from confiscation for such enemy merchantmen at sea as did not know of the outbreak of war. This Conference took the matter into consideration and formulated a Convention (VI.) relative to the status of enemy merchantmen at the outbreak of hostilities, which was signed by all the powers represented at the Conference, except the United States of America, China and Nicaragua; and Nicaragua acceded later. (The United States refused to sign the Convention because she considered its stipulations retrogressive, in that they were less liberal than the practise which had obtained since 1854. [Oppenheim, International Law, vol. 2, p. 141, n.]

Convention VI. represents a compromise between two divergent views, and distinguishes be-

tween vessels in the harbors of belligerents and vessels on the sea.

Article I. of this Convention enacts that in case an enemy merchantman is at the beginning of the war in the port of a belligerent it is *desirable* that she should be allowed freely to depart, either immediately or after a sufficient term of grace, and, after being furnished with a passport, to proceed either direct to her port of destination or to such other port as may be determined. It will be observed that, since only the desirability of free departure of such vessels is stipulated, a belligerent is not compelled to grant free departure; nevertheless there must be grave reasons for not acting in accordance with what is considered desirable by Article I.

It may be noted that, according to the tenor of this article, a belligerent may make a distinction in the treatment of several enemy vessels in his harbors, and may grant free departure to one or more of them, and refuse it to others, according to his discretion.

By Article II. of this Convention, the former usage that enemy merchantmen in the harbors of belligerents at the outbreak of war may not be confiscated has been made a *binding rule*. This article enacts that such vessels as were not allowed to leave, or were by *force majeure* prevented from leaving during the term of grace, may not be confiscated, but may only be detained under the obligation that they shall be restored, without indemnity, after the conclusion of peace, or they may be requisitioned on condition of indemnities to be paid to the owners.

Article III. enacts that enemy merchantmen which have left their last port of departure before the outbreak of war and which, while ignorant of the outbreak of war, are met at sea by cruisers of the belligerents, may be captured, but they may not be confiscated, for they must be restored after the war is ended, although no indemnities need be paid. Indemnities are only to be paid in case the vessels have been requisitioned or destroyed, for a belligerent is empowered to requisition or destroy such vessels provided he takes care to preserve the ship papers and makes arrangements for the safety of the persons on board.

It is obvious that, in case such vessels are not ignorant of the outbreak of war—having, for instance, received the news by wireless telegraphy—they may not any longer claim the privileges stipulated by Article III. And this article stipulates expressly that after having touched a port of their own or of a neutral country such vessels are no longer privileged.

Enemy goods on board such enemy merchantmen as are in the harbor of a belligerent at the outbreak of war, or at sea and are in ignorance of the outbreak of war, are, according to Article IV., privileged to the same extent as the vessels concerned.

Enemy merchantmen whose construction indicates that they are intended to be converted into cruisers may be seized and confiscated in the harbors of the belligerents, as well as at sea, although ignorant of the outbreak of war, Article V. of this Convention expressly stipulating that such vessels are not affected thereby. (Oppenheim, International Law, vol. 2, sec. 102a.)

Days of Grace in Maritime War. Under the early practise all vessels of one belligerent in ports of the other at the outbreak of the war were subject to immediate seizure. (Magna Charta, 17 John. c. 30; 7 Moore, Int. L. Dig. sec. 1196.)

Under the modern practise, however, it has been customary to exempt from capture for a limited time, known as days of grace, or *délai de faveur*, all private vessels of one belligerent within or bound for ports of the other at the outbreak of war. (The time allowed has varied. French Declaration, March 27, 1854, six weeks; British Declaration, March 29, 1854, six weeks; Spanish Decree, April 23, 1898, five days; United States Proclamation, April 25, 1898, 30 days; Japanese Ordinance, Feb. 9, 1904, seven days; Russian Rules, Feb. 14, 1904 [except in Far

East], 48 hours.) (7 Moore, Int. L., Dig., sec. 1136.)

At the outbreak of the Spanish-American War President McKinley issued a proclamation on April 26, 1898, declaring the rules on which the war would be conducted, among which was the following clause:

"4. Spanish merchant vessels in any ports or places within the United States shall be allowed till May 21, 1898, inclusive, for loading their cargoes and departing from such ports or places; and such Spanish merchant vessels, if met at sea by any United States ship shall be permitted to continue their voyage if, on examination of their papers, it shall appear that their cargoes were taken on board before the expiration of the above term: Provided that nothing herein contained shall apply to Spanish vessels having on board any officer in the military or naval service of the enemy, or any coal (except such as may be necessary for their voyage) or any other article prohibited or contraband of war, or any dispatch of or to the Spanish Government. (The Buena Ventura, 175 U. S. 384; The Panama, 175, U. S. 535.)

By conventions concluded at the Second International Peace Conference, held at The Hague in 1907,

the ratifications of which conventions were deposited at The Hague November 27, 1909, by Germany, the United States of America, Austria-Hungary, China, Denmark, Mexico, The Netherlands, Russia, Sweden, Bolivia and Salvador, under the caption "Regulations respecting the laws and customs of war on land," the following articles were adopted:

"Article XLVI. Family honor and rights, the lives of persons, and private property, as well as religious convictions and practise, must be respected. Private property cannot be confiscated."

"Article XLVII. Pillage is formally forbidden."

"Article LIII. An army of occupation can only take possession of cash, funds and realizable securities which are strictly the property of the State, depots of arms, means of transport, stores and supplies, and, generally, all movable property belonging to the State which may be used for military operations.

"All appliances, whether on land, at sea or in the air, adapted for the transmission of news, or for the transport of persons or things, exclusive of cases governed by naval law, depots of arms and, generally, all kinds of ammunition of war, may be seized, even if they belong to private individuals, but must be restored and compensation fixed when peace is made."

OPINIONS OF GENERAL COUNSEL

CONTROL OF CORPORATION BY FRACTION OF SHARE.

Single share is voting unit and fraction of share cannot be voted in absence of express provision therefor in statute or by-laws of corporation—But if majority stockholder by fraction of share unable to exercise control by inability to vote fraction court of equity would doubtless enforce rights.

From Washington.—We would like to submit to you the question as to whether there is any doubt that the ownership of four-tenths of one share of stock can give control of a corporation under the laws of this State. At the present time a certain corporation, organized with a capital stock of \$250,000, has three shareholders, with stock divided as follows:

1,249½ shares

1,249½ "

1 "

Par value of each share \$100.

It is desired to reduce the capital stock to \$100,000. One of the stockholders is dividing his holdings. This would make the stock held as follows:

40 shares

499.80 "

249.90 "

249.90 "

1,000.00 " Par value remaining the same.

The stockholder owning 499.80 shares is also the real owner of the 40 shares, which would make his holdings 500.20 shares. The point in question is whether there is any doubt as to the control of this corporation being in the hands of the party owning the 500.20 shares. All of the references regarding stock that we have seen state that each share of stock is entitled to one vote, but make no mention of a fraction of a share. As the control of this company is held under this small margin we would like to know if the control is as secure as if the party owned 501 shares. As above stated, the corporation was organized under the State of Washington, and we desire an opinion as governed by the laws of this State.

I think the control of the corporation would be held to rest in the owner of the two certificates for 499.80

shares and .40 shares, totaling 500.20 shares, as against the two owners of certificates of 249.90 each, totaling 499.80 shares, but as control is exercised by vote of the shareholders and as a single share is the voting unit and fractions of shares cannot be voted, it might be better in organizing the new corporation to provide in the articles of association that the par value of the shares should be \$10 instead of \$100, there being no statutory provision in Washington requiring that the par value should be any stated amount. But even if the shares are issued as suggested, namely, par \$100 and certain fractions, the majority could out-vote the minority because, assuming fractions of shares cannot be voted, the majority owner could vote 499 full shares while the two minority stockholders could only vote 498 full shares. Should the two minority owners, however, readjust their shares by taking new certificates so that instead of holding 249.90 each one should hold a certificate for 250 shares and the other for 249.80, they could then vote 499 full shares as against the 499 full shares held by the majority owner, but here again this tie vote could be obviated by the majority owner exchanging his certificates for 499.80 shares and for .40 shares for one certificate for 500.20 shares and this would give him clear voting control. It might be better, however, as first suggested, to divide the shares into \$10 each so as to avoid all complications arising from the holding of fractions of shares.

I will not take time to discuss the proposition that the ultimate control of a corporation would rest in the stockholder who possessed the majority ownership, although such ownership only consisted of the fraction of a share. The certificates of stock are merely evidence of ownership and do not create the rights of the stockholder, which spring from the contract of incorporation. *Vaudry v. New Orleans Cotton Exchange*, 2 McGloin (La.), 154. Even in a case where inability to vote the fraction would result in a tie vote with the minority—which is not the present case—a court of equity would undoubtedly enforce the rights of the majority owner.

But I have been interested, while investigating the present question, to learn whether the courts have ever held, upon a tie vote of full shares, that the holders of fractions of a share or shares could vote to decide the issue, assuming there is nothing in the articles of association or by-laws of the corporation upon the subject. After diligent search no reported case of this kind has been found.

At common law each stockholder in a corporation had one vote irrespective of the number of shares held by him. This has been changed by statute in most States whereunder the stockholder has one vote for each share of stock owned by him, and in some States cumulative voting is provided for. In the absence of constitutional or statutory provision to the contrary, the single share is the voting unit in joint stock corporations (10 Cyc. 331), and the provision in the Washington statute that each stockholder is entitled to as many votes "as he may own * * * shares of stock" is in line with the rule that the single share is the voting unit and would not, I think, be construed to entitle a shareholder to vote fractional parts of shares. It has been held where stock is owned by two persons jointly and they disagree as to the vote to be cast, the vote of one of them may be rejected (*Matter of Pioneer Paper Co.*, 36 How. Pr. [N. Y.] 111), and where the legal title to shares has been vested under a will in three executors they can only vote as joint owners; and if they cannot agree as to the manner in which the shares shall be voted they cannot vote with respect to them at all. *Tunis v. Hesterville*, etc., Pass R. Co. 149 Pa. St. 70. All this tends to indicate that the single share is the voting unit and that fractions of shares cannot be voted. The question, however, has not, so far as I can find, been directly passed upon.

But the point is not important in the present case, for, as already shown, eliminating fractions of shares, the majority owner would have control by the ability to vote 499 as against 498 full shares under the present adjustment, or if the shares were readjusted 500 as against 499. It might, however, as I have already suggested, simplify the matter in forming the new corporation to issue the shares at par value of \$10 each and thus avoid all questions or complications arising from the issue of fractions of shares.

RIGHT OF EXECUTOR TO VOTE NATIONAL BANK SHARES.

Executor has right to vote shares standing in name of testator at stockholders meeting.

From New York.—Is a director of a National bank in New York State entitled to vote at an annual meeting of stockholders on stock that he holds as executor?

It is a general rule of law that an executor has the right to vote with respect to stock standing on the corporate books in the name of the testator on exhibiting an exemplified copy of his letters testamentary (*Market St. R. Co. v. Hellman*, 109 Cal. 571), and there is nothing in the National Bank Act which restricts this right. That Act provides that "in all elections of directors and in deciding all questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk,

teller or bookkeeper of such association shall act as proxy; and no shareholder whose liability is past due and unpaid shall be allowed to vote." An executor cannot, however, be a director by virtue of shares belonging to the estate as the Act provides that every director must own "in his own right" at least ten shares of stock. But where, as in the present case, a director by virtue of shares owned in his own right also holds shares as executor, there is nothing in the Act to prevent his voting the shares he holds as executor, equally as his own individual shares.

In a case of co-executors where the one who received a proxy from his co-executors to vote the estate shares was a director because of shares owned in his own right, there might be a question of his qualification because the Act provides that "no officer * * * shall act as proxy," and the word "officer" might be construed to apply to a director. But such is not the question submitted.

REAL ESTATE AND CHATTEL MORTGAGES.

Law as to enforcement of deficiency judgments against mortgagors of real and personal property, with especial reference to Iowa.

From Iowa.—Will you kindly advise us whether, in a foreclosure of a real estate or chattel mortgage where the foreclosure proceedings do not net sufficient money to satisfy the debt thereby secured, a deficiency judgment can be entered against other real estate which the mortgagor may hold or in the case of a chattel mortgage if the deficiency can be collected from the mortgagor when such mortgagor is financially good for the amount of such deficiency.

(1) In case of foreclosure of mortgage on realty.—

The general rule is that where the mortgage contains a covenant or promise to pay the debt intended to be secured, or where the debt is evidenced by a separate written obligation, there is a personal liability resting upon the mortgagor, or his grantee who has assumed the mortgage, to the whole extent of the debt, and not merely to the value of the premises, so that he may be compelled to make good any deficiency arising on a sale under the foreclosure. (*Grand Island Sav., etc., Assoc. v. Moore*, 40 Nebr. 686; *German Sav. Bank v. Brodsky*, 78 N. Y. S. 910; *Teeters v. Lamborn*, 43 Ohio St. 144; *Williams Bros. v. Hanmer*, 132 Mich. 635.)

Conversely, if the mortgage or note contains a stipulation that the mortgagee shall look only to the mortgaged premises for the payment of his debt, or that no general execution shall issue on foreclosure, there is no personal liability for any deficiency. (*Elmore v. Higgins*, 20 Iowa 250, [In this case, on a promissory note secured by mortgage, a cotemporaneous indorsement was made by the parties as follows: "The within mentioned note is confined to a certain mortgage of even date," etc., and it was held that the payee of such note was confined in his remedy to a foreclosure of the mortgage, and was not entitled to a personal judgment]; *Kennion v. Kelsey*, 10 Iowa 443 [where a promissory note and a mortgage to secure same were executed simultaneously, and the mortgage contained the stipulation, "but it is agreed general execution shall not issue herein," and it was held that the instruments constituted but one contract, and that the mortgagee could not recover a general judgment on the note, his remedy being limited to

the mortgaged property alone); *Moore v. Reynolds*, 1 Cal. 351; *Seieroe v. First Nat. Bank*, 50 Neb. 612, *Abbott's Est.*, 24 Pa. Co. Ct. 401).

If the mortgage contains no covenant or promise to pay, and there is no separate written obligation, the relief awarded in the foreclosure suit must be confined to a sale of the mortgaged premises, and there can be no judgment against the mortgagor personally either for the whole debt or for the deficiency. (*Hunt v. Lewin*, 4 Stew. & P. [Ala.] 138; *Hoag v. Starr*, 69 Ill. 362; *Fletcher v. Holmes*, 25 Ind. 458; *Weil v. Churchman*, 52 Iowa 253 [holding that a mortgage in the ordinary form of a conveyance, subject to defeasance upon payment of certain sums by the mortgagor, does not create an indebtedness for which a personal judgment can be rendered against the mortgagor]; *Chittenden & Co. v. Gossage*, 18 Iowa 157).

However, this does not mean that the mortgagee may not recover the unsatisfied balance of the original debt which the mortgage was given to secure, but only that he must do so in a separate action subsequent to, or independent of, the foreclosure suit. (*Demond v. Crary*, 9 Fed. 750.)

Now, by statute, in many jurisdictions, the court may either include in the foreclosure decree a provision ordering the payment of the deficiency if any shall arise, or, after the report of the sale has been filed, showing such a deficiency, it may make a further order, in the same cause, directing its payment by the party liable. (*Hastings v. Alabama State Land Co.*, 124 Ala. 608; *O'Neal v. Hart*, 116 Cal. 69; *Thomson v. Black*, 208 Ill. 229; *Pike v. Gleason*, 60 Iowa 150.)

The following is the Iowa statute in regard to judgment and sale of realty under foreclosure proceedings:

"When a mortgage or deed of trust is foreclosed, the court shall render judgment for the entire amount found to be due, and must direct the mortgaged property, or so much thereof as is necessary, to be sold to satisfy the same, with interest and costs. A special execution shall issue accordingly, and the sale thereunder shall be subject to redemption as in cases of sale under general execution." (Iowa Code, 1897, Chap. 7, Sec. 4,289.)

"If the mortgaged property does not sell for sufficient to satisfy the execution, a general execution may be issued against the mortgagor, unless the parties have stipulated otherwise." (Ibid. Sec. 4,290.)

This last section, however, has been held not to apply to a case where the mortgage is given to secure the debt of another party, and the mortgagor does not sign the note or become otherwise liable for the payment of the debt. (*Chittenden v. Gossage*, 18 Iowa 157; *Anderson v. Reed*, 11 Iowa 177; *Weil v. Churchman*, 52 Iowa 253.)

The following is the Iowa statute as to the lien of a judgment upon real estate:

"Judgments in the Supreme or District Court of this State, or in the Circuit or District Court of the United States within the State, are liens upon the real estate owned by the defendant at the time of such rendition, and also upon all he may subsequently acquire, for the period of ten years from the date of the judgment." (Code Iowa, 1897, Chap. 9, Sec. 3,801.)

"When the land lies in the county wherein the judgment was rendered, the lien shall attach from the date

of such rendition, but if in another it will not attach until an attested copy of the judgment is filed in the office of the clerk of the District Court of the county in which the land lies." (Ibid. Sec. 3,802.)

However, a judgment is not rendered, nor does it operate as a lien until it is entered of record in the books prescribed by statute (*Aetna Life Ins. Co. v. Hesser*, 77 Iowa 381.)

It will thus be seen that in the case of the foreclosure of a mortgage on realty in Iowa a personal judgment is rendered against the mortgagor (save in the excepted cases noted and set forth *supra*), and a special execution issues against the mortgaged property; and where the sum realized upon the sale of such property is insufficient to liquidate the debt, then a general execution issues for the deficiency, which may be levied upon any other realty of which the mortgagor may at the time be possessed.

(2) *In case of Foreclosure of Chattel Mortgage.*—The general rule in the case of the foreclosure of a chattel mortgage is that as against the original mortgagor, and as against subsequent purchasers of the property who have disposed of or converted it to their own use, a personal judgment for the mortgage debt may be entered in the action. (*Handy v. Tracy*, 150 Mass. 524; *Lathers v. Hunt*, 16 Daly [N. Y.] 135; *Ricks v. Pinson*, 21 Tex. 507; *Comer v. Lehman*, 87 Ala. 362; *Commercial Bank v. Davidson*, 18 Ore. 57.)

Thus, the rule is generally recognized that where the proceeds of a sale of mortgaged chattels equal or exceed the amount of the debt and the expenses of the sale, the mortgage is extinguished (*Askew v. Steiner*, 76 Ala. 218; *Lynch v. Naylor*, 63 Ill. App. 107), but if the proceeds are insufficient to pay the mortgage debt the mortgagor is personally liable for any deficiency. (*Rein v. Callaway* [Ia.] 65 Pac. 63; *Lee v. Fox*, 113 Ind. 98; *Mannen v. Bailey*, 51 Kan. 442; *Dinning v. Gavin*, 4 N. Y. App. Div. 298.)

The Iowa statute provides for the foreclosure of chattel mortgages by action as follows: "Such pledgee may commence an action in equity for the foreclosure of such collaterals or pledges, and the court shall determine all issues presented as in other equity cases, and render judgment for the amount due from the pledgor, and award special execution for the sale of the collaterals or pledges, and general execution for any balance, or shall render such judgment as may be necessary to carry out any written agreement of the parties concerning the subject-matter; but in all cases a sale may be ordered unless there is a written stipulation to the contrary." (Iowa Code 1897, Chap. 7, Sec. 4,286.)

RENEWAL NOTE.

Where new note is given in renewal of original, which is retained and not surrendered, new note does not operate as a payment of original, but only as a suspension of the debt evidenced thereby.

From Michigan.—Two men sign a joint note, as makers for, say, \$500, due in three months. At the expiration of that time one of the makers appears and wants to renew the whole or a part of it for another term, the other maker being in Europe or where he cannot be readily reached for his signature. We extend the loan by taking a new note with signature of one of the parties, and attach the

old note, without cancelation, to it as collateral. The new note by the bank's entries becomes an asset of the bank, and the old note at the same time ceases to be the bank's assets, except as collateral only. The absent maker has not been notified. What we would like to know is: Can both parties be held on the original note as makers until the statute of limitations releases them?

It is a general rule that where a new bill or note is given in renewal of another bill or note, and the original is retained, the new bill or note operates only as a suspension of the debt evidenced by the original and is not a satisfaction of it until paid. *McGuire v. Gadsby*, 3 Cal. 234; *Riggins v. Joseph D. Boyd Mfg. Co.*, 123 Ga. 232; *McMorran v. Murphy*, 68 Mich. 246. This is the rule in Michigan as evidenced by the case last cited.

The rule is different where the original note is surrendered or agreed to be surrendered. Michigan decisions illustrating this are the following:

In *Sage v. Walker*, 12 Mich. 425, it was said: "The effect of taking a second note upon the vitality of the first is sometimes determinable by the law, and sometimes by the contract under which it was given and received. In the present case the correspondence of the parties, which went to make up the contract, shows that the second note was given and received in discharge of the first. Walker sent forward that note to be retained only upon condition of a surrender of the first. Sage was bound to return one or the other. By retaining both he left it with the defendants to say that he had taken the new note upon the conditions Walker required, and the first note must be considered as surrendered up."

In *Michigan Mut. Life Ins. Co. v. Bowes*, 42 Mich. 19, and *Riverside Iron Works v. Hall*, 64 Mich. 165, the original note was surrendered and a new note given by a different party in lieu thereof, and it was held in each instance that the giving and acceptance of the new note operated as a payment or cancellation of the original.

In *Ellis v. Ballou*, 129 Mich. 303, the payee of a note given by a partnership was informed that a corporation had been organized, which had succeeded to the partnership property and assumed its liabilities, and a note executed by the corporation was sent to the payee, to be exchanged for the partnership note; but the payee, though retaining the corporation note, failed to return the partnership note. Subsequently, however, he complained to the officers of the corporation of their action in preferring certain creditors, and also made statements to third persons indicating that he regarded the corporation as his debtor. More than three years after the receipt of the corporation note, and after the insolvency of the corporation, the corporation note was returned, and suit brought on the partnership note. It was held that the corporation note was received in payment of the partnership note, precluding a recovery upon the latter.

The transaction stated by you would fall within the rule that the giving of a renewal where the original is retained is not a payment of the original rather than be governed by the cases which hold that where the original is surrendered or agreed to be surrendered it is paid by the renewal. The bank holds a joint note and at maturity a renewal note is tendered executed by one of the makers only, and it is agreed that the old note shall be retained as collateral. I think the taking of the new note under these circumstances does not operate

as a payment of the original note, and that the liability of both makers thereon will remain until released by the statute of limitations. The statutory period of liability would, however, be different in the case of each maker. In a majority of jurisdictions the rule now is that an acknowledgment or a new promise by one of several joint debtors or contractors will not interrupt the statute of limitations as to the others. This is the rule in Michigan. In *Koons v. Vauconsant*, 129 Mich. 260, it was held that the giving of a renewal note by a joint maker will not keep the debt alive as to the co-maker. And the fact that the former also signed the latter's name to the renewal note, thereby misleading the payee, can make no difference, if such signing was without authority, and there is nothing on which to base an estoppel.

NOTE PAYABLE IN INSTALMENTS.

Becomes overdue and dishonored upon first default in payment of any instalment—Indorser discharged by failure to give notice of dishonor upon default in payment of instalment, but, according to some cases, is liable for subsequent instalments of the non-payment of which he is duly notified.

From Michigan.—A gives B a note for \$825, payable \$25 a month, beginning October 1, 1910. No specified date of payment is mentioned in the note itself, the language being "For value received, I promise to pay to B or order \$825, payable \$25 each month beginning October 1, 1910." C indorses the note. A makes sundry payments bringing the amount down to about \$135, at which time the necessary number of months have elapsed to have liquidated the note if A had made his payments as agreed. At the time when the note would finally have been liquidated had said payments been made, notice of protest was mailed to A and C, the maker and indorser of the note. C, the indorser, now claims non-liability on account of not having been notified of each payment which A neglected to make. This State had the Negotiable Instruments Act in force at the time this note was made. Can C be held liable?

The courts in numerous cases hold that where a note is made payable in instalments it is dishonored when the first instalment becomes due and is unpaid, and he who takes it afterwards takes it subject to all equities between the original parties. (*Vinton v. King*, 4 Allen [Mass.] 562; *Field v. Tibbetts*, 57 Me. 359; *Hart v. Stickney*, 41 Wis. 630; *McCorkle v. Miller*, 64 Mo. App. 153; *Vette v. La Barge*, 64 Mo. App. 179; *Norwood v. Leeves* [Tex.], 115 S.W. 53.) The reason for this rule is stated in *McCorkle v. Miller*, where the court said: "The principle is well established * * * that, where the principal of a note is payable in instalments, a failure to pay one of them when due makes the note dishonored paper; that this is so whether the whole debt is thus, by the terms of the instrument, rendered due or not; and that a subsequent transferee who takes the note in that condition therefore takes it subject to all equities. The reason of the rule is that where one or more of the instalments remain due the presumption arises that there is some valid reason for the failure or refusal to pay, which, if established, would likely go to the defeat of the entire debt, and thus all subsequent purchasers or holders of the discredited paper are put on inquiry."

It has, however, been held in North Carolina

where a note was payable one-tenth annually and the interest semi-annually that in the absence of express stipulations to the contrary, the entire note does not become due and payable upon default in the payment of any of its instalments. *Hinton v. Jones*, 136 N. C. 53. And where a note was made payable in instalments and contained a provision that the whole note was to mature upon failure of payment of any instalment thereof when due at the option of the holder, it has been held by a Georgia Court that upon non-payment of an instalment the note did not ipso facto become due without affirmative action on the part of the holder to effectuate this result. *Sheffield v. Johnson County Sav. Bank*, 2 Ga. App. 221.

The above would indicate some difference of view, but the weight of authority where the note is simply payable by stated instalments without a further provision that upon default in payment of any instalment the whole shall become due at the option of the holder is to the effect that upon non-payment of any instalment the whole note becomes due.

The note in the present case is payable in instalments, and according to the above authorities, when any instalment was not paid when due, the entire note became dishonored paper.

It would follow from this that C., the indorser in the present case, was entitled to notice of dishonor when the first default at the due date of any instalment occurred; and that notice of dishonor given when the last instalment became due by the terms of the note would not preserve his liability for previous instalments.

In *Fitchburg Insurance Co. v. Davis*, 121 Mass. 121, where a note promised to pay the whole sum in instalments of \$50 every three months, the court held that the omission to give an indorser notice of non-payment of previous instalments when they fell due did not affect his liability for a later instalment, for the non-payment of which he was duly notified. The court in this case said: "By non-payment of the previous instalments as they fell due the whole note was dishonored and subjected to all the defenses which existed against it when the holder took it." And in *Hopkins v. Merrill*, 79 Conn. 626, the court (following *Fitchburg Ins. Co. v. Davis*, supra), held that failure of the holder of a note payable in instalments to notify the indorser of the non-payment of other instalments does not affect his right to recover for those in suit.

There would seem to be an inconsistency in holding that upon non-payment of any instalment the entire note becomes overdue and dishonored and at the same time holding that the indorser can be held liable upon subsequent instalments if he is duly notified of the non-payment thereof when they fall due by the terms of the note. The only theory upon which such seeming inconsistency may be reconciled is that to charge a subsequent holder with notice of equities the whole note will be regarded as overdue and dishonored upon non-payment of a prior instalment, but that to charge an indorser upon an instalment note, the non-payment of any one instalment of which he has not been notified, does not mature the entire note, and that when any subsequent instalment becomes due and he is notified of its non-payment he becomes liable therefor. But however this may be, it would not affect the result in the present case except as to the last instalment. There

was no notice of dishonor to the indorser of previous instalments wholly or partly unpaid when they became due, and the only notice the indorser received was when the last instalment fell due. Such notice might preserve his liability as to the last instalment, but for nothing more, and if the courts in Michigan should take the view that the entire note became due when the maker first defaulted in payment of any instalment, and that the indorser was then entitled to notice of dishonor and not receiving same was discharged from liability upon the entire note, then not even the last \$25 instalment could be collected from him.

To summarize the above there would seem to be three classes of instalment notes: Those payable (1) by stated instalments, (2) by stated instalments with a provision that upon default in payment of any instalment or of interest, the whole shall become due, (3) adding to the provision last stated the further provision making it optional with the holder to declare the whole debt due upon default in any instalment. The first two classes of note are expressly made negotiable by the Negotiable Instruments Act, but that Act is silent as to the negotiability of the third class. The weight of authority is to the effect that the first two classes of note become due, ipso facto, upon first default in payment of any instalment, but as to the third class, what little authority there is on the subject indicates the note does not become due upon default in payment of any instalment unless the holder affirmatively exercises his option to declare the whole note due. The first two classes of note being overdue and dishonored upon default in payment of any instalment, a subsequent purchaser takes subject to equities, and it would seem to follow that the entire note being dishonored, failure to give notice of dishonor would release the indorser entirely from liability. But to the contrary of this last stated conclusion, decisions in Massachusetts and Connecticut are to the effect that the indorser is only released from liability for those instalments as to which he has not received notice of dishonor and remains liable for subsequent instalments of the non-payment of which notice is given. Applying the above to the case in hand where the note is of the class first stated and there was default in a number of instalments, but the indorser was not notified until the last instalment was payable by the terms of the note, the indorser is released from liability for all instalments except the last, but is liable for the last instalment according to the decisions last referred to, unless the Michigan courts should take the view that he was absolutely discharged from all liability upon failure to give notice of non-payment of the first instalment which was defaulted.

GUARANTY OF SIGNATURE.

Guaranty of signature to assignment of stock certificate warrants genuineness, and authority where signature made in representative capacity, but does not extend to validity of acts of person whose signature is guaranteed with reference to such certificate.

From New York.—To what extent does a bank become liable when it guarantees a signature to an assignment upon the back of a stock certificate? Does the stamp, "Signature Guaranteed, A. Company," signed by a qualified officer, limit the lia-

bility of the bank to a third party for the signature alone, or can a third party recover from the bank for any improper use of a stock certificate so guaranteed?

I should construe the words "signature guaranteed" as a warranty of the genuineness of the signature only and not to warrant the validity of acts of the person whose signature is guaranteed with reference to such certificate.

Looking at analogous cases in *McKinnon v. Boardman*, 170 Fed. 920, the indorsement of the payee's name upon a check was signed without authority "M. J. O., per C. W. M." Under this a bank stamped "indorsements guaranteed," with name of bank, and collected the check. The court said that the check would not have been paid but for the guaranty of the indorsements and "those who have relied upon the bank's assurance that these indorsements were authorized and have lost thereby are entitled to redress." The guarantee of indorsement, therefore, not only includes genuineness in its strict sense but also the authority of A. to indorse for B.

In *Johnston v. Schnabaum*, 86 Ark. 82, a bank indorsed a note "previous indorsement guaranteed." The court said: "So far as the guaranty of the previous indorsement of Redwine is concerned, that amounted only to a guaranty of the genuineness of the indorsement and did not render the bank liable on the note" as indorser.

In *Second Nat. Bank v. Curtiss*, 153 N. Y. 681, C. signed his name as witness to a forged signature to an assignment of a stock certificate, and upon faith of C.'s signature, which the bank knew, it loaned money to the holder of the certificate. It was held that C. was liable in an action based upon an allegation of fraud, although C. was innocent in the matter. C.'s act was a statement and representation in effect that the signature to the assignment was made in his presence, or was acknowledged in his presence, and that C. thereupon at the assignor's request wrote his name as witness thereto. The inference of fraud necessarily resulted, for one who falsely asserts a material fact, susceptible of accurate knowledge, to be true of his own knowledge, and thereby induces another to act upon the fact represented, to his prejudice, commits a fraud which will sustain an action of deceit.

From the above it follows, I think, that the words "signature guaranteed" placed upon an assignment upon the back of a stock certificate, bind the guarantor for the genuineness of the signature, as well as for the authority of the person signing when the signature is made by a representative; but do not extend to warranting the validity of the acts of the person whose signature is guaranteed with reference to the use of the certificate.

The above statement of the law has proceeded on the assumption that the person making the guaranty has the power or authority so to do. In the present case the guaranty is stated to be made by a bank over the signature of "a qualified officer." Presumably in the case of its own stock certificates it is within the function of the bank to witness or guaranty the signatures to assignments of stock, but if the assignment was of stock of another corporation in which the bank had no interest as pledgee or otherwise, the authority of the officer to bind the bank as guarantor of genuineness of

a signature would be questionable. It is not necessary to go into this question, however, as it is assumed in the question under consideration both that the bank has power and the officer authority to make the guaranty.

SECOND PROTEST OF PROTESTED CHECK.

Where a bank receives for presentment a protested check with protest fees added, with instructions to protest if not paid, there is no justification for protesting the check a second time.

From Indiana.—Will you kindly advise us whether a protested check with protest fees added, sent in the regular course of business from one correspondent to another, with instructions to protest, can again be duly protested?

There is no efficacy in protesting a check a second time after it has once been protested and is again presented with demand for payment of the amount with protest fees. The instrument has been dishonored and the liabilities of the parties fixed by the first protest and a second protest is of no effect. You will see in the *JOURNAL* for April, 1913, at page 670, my opinion upon the question whether a bank has any right, without express instruction from the drawer, to pay a check which has been previously dishonored and protested. Where the bank refuses to pay a check which has once been protested there is no justification for protesting the check a second time.

INDORSEMENT OF CHURCH TREASURER.

Where check payable to and indorsed by "Treasurer of Congregational Church," such indorsement legally sufficient.

From Vermont.—We had a check drawn on us made payable to the order of "Treasurer Congregational Church," and indorsed, "Treasurer Congregational Church." Is that a proper indorsement, and if this bank refused to pay same with that indorsement, is the check protestable? Check was for \$20.

Where a check is drawn payable to order "the payee must be named or otherwise indicated therein with reasonable certainty." (Mass. N. I. Act., Sec. 25.) But it is sufficient to make the paper payable to the "treasurer of a corporation," the corporation but not the treasurer being named. (*McBrown v. Corporation of Lebanon*, 81 Ind. 268, where a note so drawn was held in effect, payable to the corporation; see also *Vater v. Lewis*, 36 Ind. 289.) This check being, in legal effect, payable to the Congregational Church and assuming the treasurer has authority to indorse for the church, the question then is whether the indorsement, "Treasurer, Congregational Church," is legally sufficient. The Negotiable Instruments Act provides (Sec. 57, Mass. Act):

"Where an instrument is drawn or indorsed to a person as 'cashier' or other fiscal officer of a bank or corporation, it is deemed prima facie to be payable to the bank or corporation of which he is such officer, and may be negotiated by either indorsement of the bank or corporation, or the indorsement of the officer."

Under this I think it would be held the indorsement, "Treasurer Congregational Church," would be legally sufficient, as it contains not only the name of the corporation, but, coupled therewith, the title, although not the name, of the treasurer. Such form of indorsement is not probably as satisfactory from the banking

point of view as one wherein the treasurer would sign his name as well as his official designation—it might be a little more difficult to prove genuineness in case of dispute—but as matter of law I think the indorsement is sufficient. It would follow that if the bank refused to pay the check containing such an indorsement after satisfying itself as to the identity of the indorser the check would be protestable.

CHECK AGAINST UNCOLLECTED FUNDS.

Under law of Illinois, in absence of contrary agreement or usage, a bank becomes debtor for deposited items immediately upon credit, but custom is quite universal not to pay checks against such credit prior to collection of items it represents.

From Illinois.—Will you kindly advise me as to the following: We credit a depositor with a check on an out-of-town point, and on the same day his check on us is presented for certification against said out-of-town item. Is the bank compelled to certify his check for the reason that the depositor has been given credit for it, and is it the law that the bank has to pay against uncollected funds?

There is a conflict of authority upon the proposition whether the giving of credit for a deposited check makes the bank debtor or whether the credit is merely provisional and the bank takes as agent only. Many banks control the relation by provision in the passbook or on the deposit slip, declaring that the bank takes as agent only, and sometimes there is a custom or usage which is controlling in the matter or an understanding with the depositor that the credit is only provisional.

In the absence of agreement or usage to the contrary, it has been held in Illinois that upon deposit the check immediately becomes the property of the bank, and it thereupon becomes debtor to the depositor for the amount. *Lanterman v. Travons*, 73 Ill. App. 670; aff'd. 174 Ill. 459. It would seem to follow in strict law that where the bank becomes debtor it must honor its customer's check against the credit, even before collection. But the custom is quite universal not to pay against uncollected funds, and I presume such a custom exists in Illinois and is controlling as elsewhere.

Your particular question relates to certification. A bank is not obliged to certify a check in any event; its only obligation is to pay and certification is optional with the bank.

CHECK INDORSED IN BLANK AND STOLEN.

Bona fide purchaser from thief can enforce against drawer and indorser, although check never delivered by payee.

From Illinois.—Some time ago a customer of ours, having a check drawn on this bank, indorsed same, expecting to present the check for payment. However, some incident arose which prevented him from presenting the check. Shortly after some one entered the home, presumably a tramp, or possibly a hired man who soon after left, and the check was stolen. It was presented at a grocery or general store in a town some 50 miles away, the money secured, and the check presented to us in a round-about way through the bank clearings. Meanwhile we had been warned of the loss of the check and ordered not to pay same if presented, though the party acknowledged that he had indorsed the check.

We therefore refused payment and returned same. While we are not posted on the finer points involved, and the decisions in such cases, it is our opinion that even though the check was indorsed but not delivered to any one and stolen, it does not pass good title, there being no consideration or delivery, and he who takes a stolen check takes the same at his own risk. As the matter is likely to cause trouble and legal complications, we should like to be advised as to the rights of the present holder, the original payee and indorser, and our position in the contention.

The check in this case was indorsed in blank by the payee and stolen from him without delivery. It was negotiated to a merchant for value. Assuming the merchant is a holder in due course, he has a right of recovery thereon against both drawer and payee. Your bank is not liable. It rightly refused payment upon order of the drawer and there is no liability on the part of the drawee bank to the holder of an unaccepted check. The fact that the check was never delivered by the payee does not affect the holder's right of recovery. A check indorsed in blank payable to bearer passes by delivery. The Negotiable Instruments Act provides that "where the instrument is in the hands of a holder in due course, a valid delivery thereof by all parties prior to him so as to make them liable to him is conclusively presumed." The Supreme Court of Washington in a recent case, referring to this provision of the Act, says: "The language could hardly be made plainer, and is as applicable to a holder in due course of commercial paper stolen before delivery as it is to commercial paper stolen subsequent to delivery." *Angus v. Downs*, 147 Pac. (Wash.) 630.

In *Massachusetts National Bank v. Snow*, 187 Mass. 159, a negotiable note was indorsed in blank by the payee and stolen from him. The action was against the payee as indorser. Under the section of the Negotiable Instruments Act above quoted the court held that the holder in due course could recover from the payee.

In *Greaser v. Sugarman*, 76 N. Y. Supp. 922, the defendant executed a promissory note payable to order of himself. It reached the hands of a holder in due course, who brought an action thereon. The defendant sought to defend on the ground that it was lost or stolen from his desk and that there was hence no valid delivery of the note. The court quoting the section of the Negotiable Instruments Act above referred to held that the fact, if shown, would constitute no defense.

To the same effect is *Poess v. Twelfth Ward Bank*, 86 N. Y. Supp. 857, wherein it was held that the title of a bank which cashed a check that had been indorsed in blank and stolen "was not affected by the fact that it had been stolen and never had a valid delivery." See, also, *Buzzell v. Tobin*, 86 N. E. (Mass.) 923, to the same effect.

There is nothing in the facts stated by you to show that the merchant who cashed the check was dishonest or negligent in so doing; presumably, therefore, he is a holder in due course and can recover thereon both from the drawer and the payee who indorsed the check.

COMPETENCY OF NOTARY.

In South Dakota notary who is stockholder and director is competent to take acknowledgment of mortgage executed to bank.

From South Dakota:—Please advise me whether or not an acknowledgment on mortgages in favor of

a State bank in South Dakota if taken by an active officer of the bank, who is also a stockholder and director, is valid.

An acknowledgment of a mortgage in favor of a State bank in South Dakota taken by a notary who is a stockholder and director of such bank is valid. In 1911 the Legislature of South Dakota enacted the statute drafted by General Counsel on behalf of our Association to qualify notaries in such cases. The statute is as follows:

"It shall be lawful for any notary public who is a stockholder, director, officer or employe of a bank or other corporation to take the acknowledgment of any party to any written instrument executed to or by such corporation, or to administer an oath to any other stockholder, director, officer, employe or agent of such corporation, or to protest for non-acceptance or non-payment bills of exchange, drafts, checks, notes and other negotiable instruments which may be owned or held for collection by such corporation: Provided, it shall be unlawful for any notary public to take the acknowledgment of an instrument by or to a bank or other corporation of which he is a stockholder, director, officer or employe, where such notary is a party to such instrument, either individually or as a representative of such corporation, or to protest any negotiable instrument owned or held for collection by such corporation, where such notary is individually a party to such instrument."

COMPETENCY OF NOTARY.

In Kansas, cashier and stockholder of National Bank is competent as notary to take acknowledgments of instruments running to the bank—Taking fee as notary would not violate Federal Reserve Act.

From Kansas:—As a cashier and a stockholder of the above (National) bank, I have been acknowledging real estate mortgages in favor of the bank. In a National bank in Kansas, would I be disqualified to act as notary or not?

I think under the laws of Kansas you are not disqualified as notary to take acknowledgments of real estate mortgages in favor of the bank because you are cashier and a stockholder of the mortgagee. Chapter 311 of the laws of 1905 authorized notary-stockholders to take acknowledgments of instruments running to the bank except "when acting himself in behalf of corporation," and your last Legislature has passed the uniform act drafted by me and recommended by the Association designed to qualify notaries in such cases. Acknowledgments taken by you prior to the passage of this Act would be valid under the law passed in 1905.

Your bank being a National institution and a member of the Federal Reserve Bank, the further question would arise in case a notary's fee was charged for taking the acknowledgment whether such act would be a violation of that portion of Section 22 of the Federal Reserve Act which provides:

"Other than the usual salary or director's fee paid to any officer, director or employe of a member bank and other than a reasonable fee paid by said bank to such officer, director or employe for services rendered to such bank, no officer, director, employe or attorney of a member bank shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift or other consideration for or in connection with any transaction or business of the bank. * * * Any person violating any provision of this section shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both."

I considered this question in an opinion published in the JOURNAL for December, 1914, and reached the conclusion that the taking of a fee in such case would not be a violation of the Federal Law. The substance of that opinion was as follows:

This provision prohibits an officer, director or employe or attorney of a member bank from being a beneficiary of the bank or receiving any fee or other consideration for or in connection with any transaction or business of the bank, other than the usual salary or director's fee and other than "a reasonable fee paid by said bank to such officer, director or employe for services rendered to such bank." Inasmuch as the notary receives a fee for making protest to which he is entitled by the law of the State under which he is appointed, the question arises whether the receiving of such fee by a notary who is an employe of a member bank, paid by the bank either on its own behalf or on behalf of some other owner of the paper, would be prohibited by the Act? I do not see how the receiving of the notary's fee could be considered as in violation of the Act. The provision contemplates the payment by the bank of salaries and of fees for services rendered to the bank and prohibits a director, officer, employe or attorney from otherwise being a beneficiary of the bank or receiving a fee, gift or commission—whether from the bank or any one else—in connection with any transaction or business of the bank. Whatever else is prohibited it would seem that an employe of the bank who receives from it as notary a fee for making a protest would be receiving a fee for the service rendered to the bank within the meaning of the exception to the prohibitory provision and would not be violating the law.

NOTE.—In the JOURNAL for May at page 892 was published an inquiry from a banker in Massachusetts who enclosed a specimen check in which he stated the amount "Pay \$358 and 86 cents" had been filled in by a "protectograph," and in rendering an opinion upon the validity of the instrument we referred to the amount as having been stamped in the body by a "protectograph." It has been called to our attention by the manufacturers of what is known as the "F & E Check-Writer" that the check under consideration was filled in with their device so named, and that the use of the word "protectograph" was inaccurate, that word being a trade name applied to only one style of check-protector which merely stamps the approximate amount or limiting line. We are glad to publish this note that there may be a correct description of the protecting device used upon the check under discussion.

CUBA'S NEW COINAGE

It is announced that Cuba's new gold coins will be in denominations of 20, 10, 5, 4, 2 and 1 pesos. The silver coin will be in a 1-peso piece and 40, 20 and 10-centavo pieces. The nickel pieces will be of 1, 2 and 5 centavos. The face of the coins will contain the words "Republica de Cuba," with the date of the coinage, and on the reverse side of the gold coin will be an effigy of Marti, while on the reverse of the silver and nickel coins will be a five-pointed star.

STOCK QUOTATIONS

Jones—What's the Oh Joy silver mine stock selling for now?

Broker—We just sold the last ten rolls of it for wall paper.—St. Louis Post-Dispatch.

BULLETIN OF THE AMERICAN INSTITUTE OF BANKING

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DEFINITIONS OF CREDIT.

Can you give a clear definition of the word "Credit?" Everybody has a fairly good idea of what credit means, but it is difficult to put the meaning into words.

"Credit is the confidence that is reposed in the ability and purpose of men to meet future obligations." The foregoing is an excellent dictionary definition. Other definitions by eminent authorities follow:

Henry Thornton in "An Inquiry Into the Nature and Effects of the Paper Credit of Great Britain."—"Commercial credit may be defined to be that confidence which subsists among commercial men in respect to their mercantile affairs. This confidence operates in many ways: it disposes them to lend money to each other, to bring themselves under various pecuniary engagements by the acceptance and indorsement of bills, and also to sell and deliver goods in consideration of an equivalent promised to be given at a subsequent period."

Henry C. Carey in "The Credit System in France, Great Britain and the United States."—"Credit cannot exist without confidence in the security of property and in the disposition of the purchaser of a commodity to pay for it at the time appointed. No man parts with his property except when he believes that an equivalent will be returned."

Walter Bagehot in "Lombard Street."—(a) "Credit—the disposition of one man to trust another—is singularly varying." (b) "Credit is an opinion generated by circumstances and varying with those circumstances. The state of credit at any particular time is a matter of fact only to be ascertained like other matters of fact; it can only be known by trial and inquiry."

Henry Dunning Macleod, M.A., in "The Theory of Credit."—"Credit is the present right to a future payment or credit is, therefore, the right or property of

demanding something from some one else. It is the right to a *future payment*; it is the name of a certain species of right or property. Gold and silver money may be called metallic credit."

Mrs. Millicent Garrett Fawcett in "Political Economy for Beginners."—"Credit is a power to borrow. If the credit of an individual is good, it is because there is general confidence in his ability to pay, and therefore he can borrow at a low rate of interest. If the credit of an individual is bad, he is not able to borrow except at a high rate of interest, because his ability to pay is doubted. The credit of different people in the same age and country can be accurately measured by the rate of interest which they pay for borrowing."

Prof. J. Lawrence Laughlin in "Credit."—(a) "Credit is machinery invented to aid in accomplishing the purpose of capital; if an essential function of capital is to discount the future, the essential characteristic of credit is the element in it of futurity. The connection is not far to seek." (b) "To get credit, therefore, is to obtain a transfer to oneself of commodities under an obligation (variously expressed, according to different habits and circumstances) to return an equivalent amount at a fixed date in the future."

Prof. Richard T. Ely in "Outlines of Economics."—(a) "A word of many meanings." (b) "Credit is a transfer of goods for a promised equivalent."

Wilbur Aldrich in "Money and Credit."—"Credit may * * * be defined to be an economic quantity arising out of a business as a going concern, and proportional in amount to the reputation of the business, its property, and the rapidity and regularity of its cash turnover. The use of credit does not tie up or hamper the free use of the material capital belonging to the concern using its credit. Only business men have credit in a commercial sense, and it is not the moral character of a person which gives him credit, but his business reputation. A corporation may have this business reputation. To have credit a business man or concern must

be known to be regular in paying debts, and the business must be a paying one, giving reasonable expectation of continued ability to meet obligations promptly."

Prof. Frederick A. Cleveland in "Funds and Their Uses."—"These two judgments lie at the basis of all credit; on these two elements does the value of credit rest. (1) A judgment that the one promising is able to fulfill his promise. (2) A judgment that he will be *willing*. Willingness is another name for 'honesty' or 'integrity.' Confidence is nothing more or less than the result of judgment that a person is both *able* and *willing* to do what he promises."

Frederick B. Goddard in "Giving and Getting Credit."—"Commercial credit is the name of that trust which is reposed in men because of their character and resources. In other words, it is an estimate of ability and disposition to fulfill business engagements, which confers purchasing power; power to command the industry or capital of others."

Prof. C. J. Bullock in "Introduction to the Study of Economics."—"Credit may be defined as the power to secure commodities or services at the present time in return for some equivalent promised at a future time."

A. F. Maxwell, of the National Bank of Commerce, New York, gave an excellent definition of Credit in a lecture on the subject delivered before New York Chapter recently. Mr. Maxwell said: "Credit is the ability to buy with a promise to pay." This simple definition sums up the gist of all the others.

BUYING STOCKS ON MARGIN.

Please explain the transaction known as buying and selling stocks on margin.

Buying stocks on a margin is a method of speculating on the rise and fall of the market that in most cases is simply a form of gambling. It is not to be condoned in anyone, however wealthy, and it is absolutely forbidden to bankers. Most banks will immediately dismiss any employe or officer who attempts to "margin stocks," and the rules of the New York Stock Exchange prohibit its members from dealing with any bank employe in margin transactions. When stocks are bought on a margin the broker buys the stock with his own money, the real "purchaser" advancing about 10 per cent. of the market value. If the price falls, the broker calls for additional margin. If the price advances, the stock may be sold. The broker deducts his commission and a charge for interest on the money used to make the purchase and returns the balance or profit to the speculator. The whole transaction is abhorrent to anyone who is so constituted morally as not to enjoy ill-gotten gains or a profit that accrues not because he has produced something, but because someone else has lost.

CANADIAN CURRENCY.

Why is there a discount on Canadian currency?

The above question might mystify the average reader until it is explained that the question comes from Michigan, where Canadian money circulates as freely as United States currency, ordinarily. Before proceeding with the question it is interesting to note the tendency toward provincialism manifested in several sections of

the country with respect to the money used. The Californian who has not traveled imagines that the whole country is as wasteful as he is in using gold as the ordinary medium of exchange. The man from Colorado seems to prefer handling large quantities of heavy silver dollars instead of carrying a wallet with a few bills. And the people who live in the States along the Canadian border imagine that Canadian quarters, dimes and bank notes are used generally throughout the United States. For the benefit of our Michigan correspondent, it may be pointed out that Canadian money never circulates except in the border States, although Canadian dimes often are exchanged in the dark or are used in automatic telephones, at least as far south as New York. Foreign money is not legal tender in the United States and the cost of converting it into United States money is what causes the discount. At the present time with United States exchange commanding a high premium in Canada on account of the war and trade conditions, Canadian money is subject to an equivalent discount on this side of the line.

ANALYSIS OF ACCOUNTS.

Will you please explain the process of analyzing bank accounts?

At the Rochester convention of the Institute an entire session was devoted to an interesting symposium on this subject. The entire proceedings of this meeting will be found in the December, 1911, issue of the JOURNAL-BULLETIN. The process of analysis of bank accounts is relatively simple. It can be described in the words of one of the analysis experts who took part in the symposium mentioned above as follows:

"Briefly stated, the proposition is to apply all the expense incidental to an account against whatever legitimate income you may derive from the balance. We can best illustrate this idea by referring to the daily bank statement and analyzing the method employed by National banks in loaning their money. The manner in which this is done, as prescribed by law, is as follows:

"From the sum of the balances of the depositors, known as deposits, is first deducted that part of their credit which is not yet collected. This is known technically as 'due by banks' and represents, generally speaking, the checks on other cities for which no return has yet been made. From the remainder the bank is required to deduct a certain per cent. for reserve purposes, and it may then loan what is left. In analyzing each individual account, therefore, we first ascertain just what part of the general deposit fund belongs to that account, that is the average daily balance. We then deduct the average amount of items outstanding daily in process of collection and proceed until we find just what income was derived from the net available or loanable balance after the reserve is deducted. To this theoretic income we then apply some actual costs; the amount of interest allowed, exchange and other costs incidental to the collection of checks. The result is the profit or loss on the account, usually figured at monthly intervals. In analysis, therefore, it might be said that each account is figured as if it were the only balance on the books."

How the War Affects Practical Operations in International Exchange

Complicated Transactions Explained in an Address Before Pittsburgh Chapter by John E. Rovensky, of the National Bank of Commerce in New York—How Acceptances Are Handled in International Trade and How the Same System is Being Adopted in America—Prospects That Dollar Time Drafts Will Maintain Their Position in the World of Finance.

There cannot be a more delicate piece of mechanism than that part of our economic structure which we term credit. Based essentially on faith, it is disturbed by even the slightest rumors of trouble and real injuries to it are caused sometimes by comparatively insignificant causes. The effects of such a terrible calamity as a world war which completely destroys every particle of the foundation on which international credit rests cannot therefore be otherwise than disastrous. Until the establishment of laws rendered property rights secure, no such thing as credit was possible and a return to barbarism such as a war can logically have but one effect—the absolute destruction of credit.

The declaration of war during the first days of August, 1914, immediately and completely paralyzed the credit machinery of Europe. That our own credit mechanism was not likewise destroyed is due partially to the energetic and efficient steps taken by our bankers and partially to the emergency currency law, which fortunately was still in effect.

During the first few days of the war the international financial situation may be likened to a terrible storm on a dark night, through which we grope, with the angry wind howling about us, blindly feeling our way, seeking for some known path while flashes of lightning occasionally illuminate the terror of the situation.

Cable communication was cut off by the destruction of cables and the establishment of censorship. No news was forthcoming. We heard only rumors of such incredible occurrences as a run on the Bank of England, the suspension of specie payments the world over, the seizure of private property by the belligerents, etc. Our inquiries for information brought but meager answers, and these by their tenor showed that Europe was thoroughly panic-stricken. We heard that what we considered beyond the realm of possibility had taken place—England had proclaimed a moratorium, and her banks would remain closed for a week to enable her to formulate plans. London—the proud ruler of the financial world—proclaiming a moratorium, a measure we had associated in our minds with only such minor countries as Bulgaria, Servia, etc. We asked ourselves what will be the full effects of this terrible blow that was able in 24 hours to fell not only Paris, Berlin and the smaller financial centers of Europe, but even London—solid, conservative and powerful London.

During that fateful first week of August the world's financiers faced a problem that was absolutely without precedent and for which all the remedies of the past were utterly unavailable. We had had panics before, but they were mere child's play compared to this, the result of the world's greatest war. Never in history have such vast armies been arrayed against each other. Never before have these armies been equipped with such devilishly efficient engines of destruction. Never before has the major part of the world's population been engaged in war, while only a minority remains neutral.

The most destructive of the effects of the war on the financial world was the disruption of the network of international financial relations, that in times of peace connects all the financial centers.

AN EXAMPLE IN ACCEPTANCES.

As you are probably aware, during peace times, a large part of the world's commerce is financed by the London "Acceptance." As an illustration, I might cite the case of the import of coffee from Brazil to the United States. Jones, a coffee dealer in New York, desires to make a purchase from Smith, a coffee grower in Rio de Janeiro. He goes to the National Bank of Commerce in New York and they open a credit with the London City & Midland Bank, Ltd., the operation of which is as follows:

Smith, the Brazilian coffee grower, places the coffee on board a steamer sailing for New York. He takes his bills of lading and draws a draft at three months' sight in pounds sterling on the London City & Midland Bank, with whom the National Bank of Commerce in New York have arranged the credit. This draft he then sells to his bank, let us, say, the Banco do Brazil in Rio de Janeiro, at the current rate of exchange for 90 days' drafts on London. Smith thus receives payment in cash immediately for his shipment. The Banco do Brazil, which purchased the draft, sends it to its London correspondent, Baring Bros. & Co., who present it to the London City & Midland Bank for acceptance. The London City & Midland Bank accepts the draft, detaches the bills of lading, sends them to the National Bank of Commerce in New York, which bank then delivers the bills of lading to Jones, the New York importer, taking his receipt for them.

The situation now is this: Baring Bros. & Co. are holding the draft drawn by Smith, which now bears the acceptance of the London City & Midland Bank. This draft, although held by Baring Bros. & Co., is the property of the Banco do Brazil, which purchased it from Smith, the Brazilian coffee grower. As a rule, the Banco do Brazil would request Baring Bros. & Co. to discount the draft, which would give the Banco do Brazil immediate use of the funds. At maturity the draft is presented to the London City & Midland Bank and is paid, and the amount thereof is charged by the London City & Midland Bank to the account of the National Bank of Commerce in New York. That bank has, in the meanwhile, collected the amount of the draft from

Jones, the importer of the coffee. You will observe that Jones has had the bills of lading for the coffee several months before he is called upon to pay the amount of the draft. This gives him ample time in which to put the goods on the market, and if conditions are favorable he may have the goods sold and receive the proceeds before he is called upon to pay, so that practically none of his capital is tied up in the transaction. The capital necessary for the transaction has been furnished, not by the National Bank of Commerce in New York, not by the Banco do Brazil, not by Baring Bros. & Co., nor by the London City & Midland Bank, but by the London money market in general. It is true that the London City & Midland Bank accepted the draft and that Baring Bros. & Co. procured its discount, but neither of them furnished the capital as the draft was sold in the open discount market of London and may pass through a number of hands before maturity.

As I have stated before, during peace times, these transactions are done on an enormous scale by London banks, not only for American banks, but for French, German, Swedish, Russian and, in fact, banks of every nationality. Just prior to the outbreak of war it was estimated that there was current in the London market about 350 million pounds sterling, or about 1,750 million dollars of acceptances of this nature. A large volume of them had been accepted by London banks at the request of German and Austrian institutions, that is, the drafts were accepted by a London bank and were the London bank's obligation, but being drawn under a credit opened by a German bank the London bank in normal times would have received coverture from the German bank prior to the maturity of the draft.

WAR A BLOW TO ACCEPTING BANKS.

When the war broke out international relations were instantly severed. The result then was this: The draft accepted by the London bank was current in the London discount market and the London bank knew that at maturity it would be presented for payment. The London bank also knew that the German banks that had made the arrangement could not, or would not, remit the usual coverture. With the tremendous volume of these accepted drafts hanging over their heads and knowing that the usual coverture from abroad would not be forthcoming, it is no wonder that the London banks were, for a moment, paralyzed with terror. There seemed to be no way out of the difficulty, the accepted drafts were the direct obligation of the bank that accepted them and must be paid at maturity. Remittances from abroad would not be forthcoming and London banks knew that they must find means to pay the drafts out of their own resources. That was only one of the staggering blows received by the London financial structure and probably it was the most serious. Before proceeding to describe how that phase of the situation was met, let us first see what some of the other difficulties were.

London banks, during peace times, invest considerable amounts in foreign bills of exchange; that is, drafts on France, Germany, Belgium, Switzerland, Holland, etc. These bills—during peace times as liquid as water—now become as immobile as so much clay. While formerly they were considered as secondary reserves, as funds that are instantly available, they now become fixed assets of questionable value.

The stock market added a serious complication. You

are doubtless aware of the vast operations carried on by London stock brokers, who purchase securities in one market and sell them in another, or vice versa. A London brokerage house with branches in Paris, Berlin and New York will simultaneously buy stocks in Berlin and sell them in London or buy them in Paris and sell them in New York, etc., making its profit on the slight difference that may exist between the price levels of the various markets. This business is done on an enormous scale and naturally a tremendous volume of business is consequently in transit; that is, securities may have been sold in London and bought in Paris, but the actual stock certificates have not yet been transmitted between the two points and the deal is therefore in an unfinished or an open state.

You may recall that just prior to the outbreak of war there was a slump on the Paris Bourse, while the London stock market remained fairly firm. As a result London brokers were buying stocks on the Paris Bourse at the low prices prevailing there and selling them on the London Stock Exchange at the slightly higher level that existed there. When war broke out the situation was instantly obscured by total darkness, during which brokers in London and Paris frantically tried to communicate with each other. When the dawn of communications slowly began to break it found the Paris Stock Exchange closed by the Government under the French moratorium which prescribes that all unfinished contracts are to remain open during the continuance of the moratorium. This meant that a London broker who had purchased stocks in Paris could not demand a delivery, but remained bound on his Paris contract. It is true that he was not required to pay for the securities, but he also could not require that they be delivered to him while the moratorium existed. The French moratorium was renewed from time to time and so far as the delivery of stock on pre-war contracts is concerned remains in effect to-day.

On the other hand, the London stock broker who had made a sale on the London Stock Exchange against his purchase on the Paris Bourse feared that he would be called upon to make delivery in London, and as he could not obtain the stock on his Paris contract he was caught short.

There were many other complications, but these were probably the main ones. Now let us see with what measures the British Government remedied the situation.

GOVERNMENT REMEDIAL MEASURES.

The first step was the proclamation of a legal holiday extending over five days, followed by a moratorium that postponed the maturity of all time drafts one calendar month. This, of course, removed the immediate danger that was threatening the London banks, which had accepted drafts for account of foreign institutions. The danger, however, was only postponed and at the same time the measure had the evil effect of rendering this paper non-liquid. You will, of course, readily comprehend that although this measure was a relief to the banks that were obligated to pay the drafts at maturity, it was correspondingly a blow to the banks which had discounted the drafts and were calculating upon receiving the proceeds at maturity.

The next step therefore was that the Bank of England at the request of the British Government (which

guaranteed the Bank of England against all loss) offered to discount all such drafts without recourse to the holder. This meant that any bank holding such drafts could go to the Bank of England and without being required to indorse the bills could there discount them and thus have immediate use of the proceeds. The result of these two measures was that the banks that were obligated to pay the drafts were temporarily relieved, while the banks that held the drafts received their cash immediately; in other words, the Bank of England, with the British Government squarely behind it, assumed the entire burden.

This, however, did not entirely clear the situation. It is true that the bills were now all in the hands of the Bank of England and would remain there until the end of the moratorium. But England was anxious to end the moratorium—its business was being paralyzed by the effects of that measure. To end it, however, meant that all the drafts that had been discounted by the Bank of England would instantly become due and would have to be met by the London banks that had accepted them. To remedy this situation another measure was enacted. The Bank of England offered to loan to the accepting banks the amount of all drafts for which coverture was not forthcoming on account of the war and agreed to allow the loan to run until one year after the declaration of peace. Substantially this proposition meant that through the Bank of England the British Government was taking over all the claims that London banks had against foreign countries arising from drafts accepted. This arrangement having gone into effect the moratorium was lifted partially on November 4th and completely a month later, since which time the moratorium has ceased to operate in England so far as ordinary banking transactions are concerned.

CONFUSION IN FINANCIAL CAPITALS.

Now let us turn to the stock market. I described a few moments ago the predicament of the London stock brokers who had purchased securities in Paris and made sales in London against such purchases. In Paris the French moratorium relieved the French seller of his obligation to deliver the stock, so that the London broker was unable to obtain it. In London the English moratorium and the closing of the Stock Exchange temporarily relieved the London broker from the necessity of delivering the stock he had sold, so that for the time being he was safe. But the end of the moratorium in England and the reopening of the Stock Exchange placed many of the London brokers in a decidedly uncomfortable situation out of which they had to find their way as best they could. Discretion, however, was used by the committees of the London Stock Exchange and the situation has been cleared up with remarkably little trouble.

I have only briefly described some of the leading facts connected with the situation in London. I leave you to imagine the rest; the tie-up of deposits which were unavailable on account of the moratorium—the confusion resulting from the closing of the Stock Exchange—the non-arrival of the mails—carrying securities and remittances—sinking of vessels—the departure of great numbers of men for the front, etc. I have not the time at my disposal that would be necessary for describing the situation in Paris, in Berlin, in Vienna and, in fact, in every financial center of Europe. Conditions in

these other centers were even worse than in London—the confusion was probably the greatest in Paris.

The French financial structure is composed of a larger proportion of credit than that of any other country and the collapse in Paris was more complete than in any other center. This collapse, of course, was accelerated by what seemed to be the imminent danger of German invasion, and the confusion was intensified by the large number of men called to the colors. In some French banks over two-thirds of the employes were called from their desks and within 48 hours were in uniform marching to the front. You can readily imagine the condition of the immense French institutions that have several thousand employes, when practically all their efficient men were suddenly called away and at the same time the institution was faced with the necessity of moving its records and assets several hundred miles to avert the danger of their falling into the hands of the Germans. These were the circumstances under which the French Government and the leading French banks moved from Paris to Bordeaux during the first days of the war.

What was happening in the meanwhile in New York? American bankers fully realized that conditions in this country were fundamentally sound, but they also realized that the first effect of every panic is the frantic desire to realize on securities and hoard the proceeds. They knew that something like six thousand million dollars of our securities were being held by Europe and that if a large part of this amount was to be dumped on us our financial structure would break under the load. This casts no discredit on the American financial structure—the financial mechanism of no country would be able to bear such a blow. The first step, therefore, was to close the New York Stock Exchange, which effectively averted the danger of a crash on our stock market. The next step was the issue of emergency currency under the provision of the Aldrich-Vreeland Act, which fortunately was in existence. As in the case of every other panic, whether fundamental conditions are sound or not, whether the troubles that brought on the panic are those of a foreign country or those of this country, there rises an abnormal demand for cash, which hitherto we had no means of satisfying. The amount of the currency in the country was formerly rigid, but now under the provisions of the Aldrich-Vreeland Act good commercial paper became the basis of an increase in our circulating medium that supplied all our demands for cash. Just as the closing of the Stock Exchange effectively averted a crash in that direction, just so the operation of the Aldrich-Vreeland Act avoided a crash amongst our banking institutions.

FOREIGN EXCHANGE AND GOLD EXPORT.

We still had other problems to solve, and within a few weeks one of them became so acute that had a remedy not been devised for it we might have been brought face to face with a situation without precedent in the history of this country. I am referring to the Foreign Exchange and Gold Export question. The war broke out just at a time when normally our exports of cotton and grain begin to go forward. This cotton and grain annually pays the bulk of our current and maturing indebtedness to Europe. Not only does it pay the current indebtedness such as interest, dividends, etc., which we as a debtor nation are obligated to pay at

that time of the year, but in addition it repays considerable sums usually borrowed by American bankers in London during the Spring and Summer months with the intention of repaying them during the Fall, when exports of cotton and grain make exchange cheap. The war immediately stopped all shipments of cotton and grain. The usual method of paying our obligations was therefore cut off, but our obligations were maturing nevertheless in London.

The dilemma of being required to pay our obligations in London in the face of the impossibility of obtaining exchange brought on a panic in foreign exchange circles in New York City. Sterling exchange was almost unobtainable, while no authentic quotations during the first weeks of August are obtainable; \$6 and \$7 per pound sterling was paid and, in fact, sterling exchange rates remained above \$5 for over a month. As you are aware, when sterling exchange rises to the neighborhood of 4.88, it becomes profitable under normal circumstances to ship American gold coin to London. By this I mean that if I owe £1,000 in London and exchange is quoted at 4.88 it would cost me \$4,800 to buy a London draft with which to pay my obligation. On the other hand, I can take \$4,865 in American gold coin and send it over to London, paying the freight, etc., which amounts to about \$15, and when this American gold arrives in London I can take it to the Bank of England and receive £1,000 for it. You will therefore see that under normal circumstances when exchange rises above 4.88 it pays to remit in London by the shipment of gold. When the usual sources of exchange, the shipment of cotton and wheat, were cut off and exchange soared to the formerly unheard of heights that I mentioned a few minutes ago, the result would have been the shipment of gold out of this country in tremendous quantities. To what extent these shipments would have been made it is impossible to gauge accurately, but that it probably would have resulted in the suspension of gold payments by this country is the opinion of many well-informed bankers. In all probability the currency of the United States would have been placed on a paper basis within a very short time, just as the currencies of France, Germany and other countries were placed on a paper basis by the restriction or suspension of gold payments, where they remain to-day.

THE GOLD FUND COMMITTEE.

It is fortunate that the Federal Reserve Act was then in operation, as it gave to this country a central body whose decisions commanded the respect of the banking and business community. Through the Federal Reserve Board the "Gold Fund Committee" was appointed, consisting of A. H. Wiggin, President Chase National Bank; J. S. Alexander, President National Bank of Commerce in New York; William Woodward, President Hanover National Bank; Benj. Strong, Jr., then President Bankers Trust Co. and now Governor of the Federal Reserve Bank; F. A. Vanderlip, President National City Bank; F. L. Hine, President First National Bank, and James N. Wallace, President Central Trust Co. These gentlemen formed a plan under which subscriptions to a hundred million dollar gold pool were given by banks throughout the country. A plan for regulating the outflow of gold and the sale of exchange was adopted. Quietly but effectively the situation was handled with the total shipment of only ten million dollars in gold.

The important service this committee performed for the country can well be gauged by the fact that but a few weeks before the organization of the Gold Pool leading bankers expressed the opinion that the situation could not be relieved with less than 150 million dollars in gold, and doubt was even expressed as to whether this amount would be sufficient. The disastrous effects of the sudden outflow of such an enormous amount of the metal that forms the foundation of our financial structure can readily be imagined.

While these extraordinary measures were being worked out, the Federal Reserve system came into actual operation through the opening of the Federal Reserve Banks. Beyond cementing together more firmly the previously isolated units composing our banking system, it cannot be said that the Federal Reserve Banks have as yet performed any great service for the country. They are still in their formative stage, but unquestionably they are a great step forward. Their very existence, which assures every banker with liquid assets that he is at all times able to turn those assets into cash with reasonable despatch, is alone worth the expense and trouble of installing the system.

THE AMERICAN ACCEPTANCE MARKET.

Probably the most important effect at this time of the Federal Reserve Act is the establishment of the American acceptance market. It may well be said that heretofore America has had no real money market. The only semblance of a money market previously existing in this country was the call loan market of New York City. That, however, did not truly reflect money conditions in this country, as it as more often reflected the secondary effect of some movement of the stock market.

The development of a real money market in this country was greatly hampered by the lack of a standardized credit instrument. In every other country the bank acceptance in which the element of credit risk has been practically eliminated is the standard instrument of credit, and the discount rate of such paper marks the level of the money market.

Bank acceptances were not known in this country prior to the operation of the Federal Reserve Act. For the benefit of those who may not be familiar with bank acceptances, I will briefly describe an operation giving rise to such acceptances. Jones, an importer of coffee in New York, desires to purchase a cargo of coffee in Rio de Janeiro. He goes to his bank in New York and arranges with them to finance the deal. Smith, the grower of the coffee in Brazil, makes the shipment to New York and draws a 90 days' sight draft on the New York bank for the amount of his invoice. This draft he then sells to some Brazilian bank just as in the case of the London draft which I described before. The Brazilian bank then sends the draft to New York. It is there presented to the New York bank for acceptance. The New York bank accepts the draft by writing the word "accepted" across the face of the draft and affixing its official signature thereto. The draft now becomes the primary obligation of the New York bank. Of course, Jones, for whose account the New York bank accepted the draft, has obligated himself to provide the New York bank with funds to meet the draft, but if he should fail to do so the New York bank must pay the acceptance nevertheless. It is, therefore, the direct obligation of the New York bank, and as such it commands the best dis-

count rates current. This briefly is what is known as a bank acceptance, i. e., a draft drawn on and accepted by a prime bank or banker.

Although this business is still in its infancy, it has reached important proportions and there is an active market for them in New York City. A number of brokers have taken up the business of buying and selling acceptances. Every morning they make the rounds of the various banks with the list of the acceptances they have for sale and the rates at which they are willing to sell them. Incidentally, they also learn whether the banks have any acceptances for sale and at what rates. As the credit risk is practically eliminated, acceptances are a very attractive form of secondary reserve; they are, as a London banker once expressed it, a means of enabling the banker to eat his cake and have it too—the banker by investing his money in acceptances earns the discount and at the same time he knows that his money is instantly available in case of need, so that they are almost as available as cash. This explains why the discount rate on acceptances ranges so low. Ninety days' sight acceptances sold in New York City at one time as low as 2 per cent. per annum and to-day prime acceptances command the excellent rate of 2½ per cent.

It is unfortunate that the supply of this standard form of credit has been restricted by the Federal Reserve Act by permitting National banks to accept only such drafts as rise out of exports and imports. In New York, State banks and trust companies are permitted to accept drafts regardless of the transaction on which they are based, but unfortunately such acceptances are not re-discountable with the Federal Reserve Bank and therefore are not as liquid an investment as the acceptances made under the Act. It is to be hoped, however, that the Act will be amended to permit acceptances to be made by National banks when based on any commercial transaction. This would speedily give us an ample supply of standardized credit instruments that would tend to develop a stable money market in this country.

AMERICA'S OPPORTUNITY.

This is America's hour of opportunity. With the increasing wealth of this country we were rapidly forging

to the front, and now the war has so handicapped our competitors that New York is well in the lead of all the financial centers of the world. It has the only free security market, it has the only free gold market and it is the only financial center in the world that is not operating under artificial legal restrictions of some sort. As a result, the dollar draft has displaced the sterling draft in many countries. In the Argentine Republic and other parts of South America the draft on New York is becoming the medium of exchange instead of the draft on London. Even in the Far East, China, Japan, etc., where the dollar draft was formerly but rarely seen, merchants to-day prefer payment by drafts on New York to drafts on London. Even India, a British possession, is to-day sending goods to the United States and taking payment therefor to a considerable extent in drafts at four months' sight on New York City.

The field of international exchange has been swept practically clear and to-day is occupied by only two competitors, the sterling draft and the dollar draft. I do not mean to say by this that drafts on France, Germany and Holland are not being drawn—they are used for current cash transaction—but I mean that international commercial transactions are not being *financed* to any considerable extent by *time* drafts drawn in any currency except sterling and dollar.

It is, of course, self-evident that with the conclusion of the war time drafts in marks, francs, guilders, etc., will again make their appearance—they will make their appearance just as soon as a discount market is re-established in their home countries—but it is the opinion of many and the hope of us all that the dollar time draft will be able to maintain its present high position in international finance.

America is a land of most wonderful natural resources. She is peopled with a race noted for its industry and ability. This combination requires but the tools to attain the world's leadership, and it is my belief that the new banking system we have now inaugurated will prove to be that much desired tool, and that America is now about to take its rightful position as the leader in the world of commerce and finance.

SOME THOUGHTS ON THE UPLIFT

Our esteemed Western contemporary, the Topeka "Capital," has the following pertinent personal note of a turn for the better within its editorial circle of friends. It says:

"We note with pleasure that our friend, Ike Gilbert, has abandoned the uplift and will hereafter devote himself to the business of making a living. It won't hurt the uplift and will help Ike."

One of the things ailing this country at present is the activity in it of too many people who belong to the professional uplifting class. If it only stopped there it might not be so bad. But the mischief lies in the fact that these people generally operate on the underlying assumption that the rest of their fellow-citizens owe them a living, and a good living at that, while they are engaged in a self-appointed occupation of a non-productive sort. The Ike Gilbert type is duplicated all over the country, as a result of a period of discontent, of agitation against the existing order of things, and

still more fundamentally as a result of the so-called higher education which young men and women are getting in many of our institutions of learning.

That old disciplinary order of training which aimed at mental fiber, knowledge of fact and grasp of principles, has given place to the study of "problems," the methods of investigating "social conditions," and the remedies for every sort of ill man has been heir to in all the ages. The result is a mass of half-baked measures in municipal, State and Federal legislatures, by which those who are earning a living are to be burdened with furnishing the means of improving the lot of those who are not. This is wholly outside of existing agencies for helping the needy.

The sooner we get back to the primal fact in human classification, that the professional uplifter, in nine cases out of ten, is a loafer, the better it will be for the heart and the head as well as the purse of the country and its taxpayers.—Wall Street Journal.

Work of the Federal Reserve Board Explained by Secretary H. P. Willis

Synopsis of a Frank and Comprehensive Address at the Joint Banquet of Providence Chapter of the American Institute of Banking and the Bank Clerks Mutual Benefit Association of Providence.

I have been glad to accept your invitation for this evening, not because I have any message for you from the Federal Reserve Board, for I speak on this occasion simply as an individual; but because I know well of your constant and dispassionate interest in the development of sound banking principles in the United States. I have been intimately associated with your Institute for some years past, sharing its work in Washington, and following its activities elsewhere. I believe it is accomplishing an important work and that it is in line with the best educational tendencies of the day.

Of recent educational movements it seems to me that there is none more important than that which aims at making scientific study directly applicable to practical life. We see this in the transformation of the courses of study in our universities; but we see it even more markedly in the growing tendency of the younger men in business pursuits to train themselves scientifically, and to develop professional interests and professional standards as applicable to their own occupations. I am glad to think that the Institute of Banking has been a leader in this movement, particularly so as its leadership is needed at this juncture in connection with the development of the new banking system of the United States. So I come to you as one student of banking to another for the purpose of discussing with you some pending questions. I have no brief either for the Federal Reserve Board or for the system it represents, least of all for any political party. I am speaking to you as nearly as I can without bias. By that I do not mean that I have no opinions on the subject I am discussing, but merely that I want to present the situation truthfully and with as little prejudice as I am able.

I am glad to tell you that the Federal Reserve system has taken definite root, and has conclusively demonstrated its usefulness. In saying this I differentiate between the Federal Reserve system and the Federal Reserve Board. The latter body had already shown its qualities of public spirit, of initiative and of financial leadership during last Autumn. We are a hasty people, eager for novelty, and prone to forget difficulties when once they are over. I do not know how many business men here present recall very distinctly the events of last Summer. I may, however, remind you that the work done by the Federal Reserve Board at that time in its management of the gold fund; in its negotiations with foreign countries through the agency of the Secretary of the Treasury; in its establishment of the cotton loan fund; in its co-operation for the retirement of emergency currency, as well as in other and less well known ways, was of most substantial and material service, and had a value which can scarcely be overestimated.

Were it true that the Board had existed for but those few months only, it would still have been amply worth while. Its usefulness would have been fully demonstrated if through it real co-operation among leaders of banking and business was obtained to the end that we might attain what all so earnestly desired—a restoration of normal conditions in finance and commerce. But the time has now happily come when the Federal Reserve Board has become largely merged in the Federal Reserve system, and when its work is represented almost wholly by what is done for the advancement of that system. According as that system succeeds in time of normal business conditions, will the Federal Reserve Board be held to have succeeded or failed. Its public work during the period of panic and crisis of last year will soon be forgotten except by those who scan the pages of history—perhaps has already been forgotten by most. We are a business people and prone to gauge matters on what we call a business basis. The Federal Reserve system will be estimated by this standard.

SYSTEM HAS TAKEN ROOT.

I have said to you that the system has already taken root. By this I mean that it passed through the period within which doubts and fears concerning its feasibility—its power to operate—have any application. Almost immediately after the banks had opened their doors last Autumn there was a demand that they should pay a dividend. There was a Jack and the Beanstalk theory of profit which appeared to demand that over night the reserve banks should afford access to some region of great returns. The banks have not met this demand, and never will do so. But they have demonstrated that they are actual practical business concerns, capable of covering their expenses, of paying reasonable dividends and of producing probably a substantial surplus. Of all this there never should have been any doubt, and I believe there never was any in the minds of those who viewed the situation at all impartially. To-day several of the banks have already met their organization and current expenses, provided for their dividends to date, and have something over; others are covering their expenses with little or nothing to spare; still others have yet to reach the self-supporting stage. That all can become profitable institutions is, however, beyond doubt. The banks are here; they are doing business, and the question remains what shall be the course of their development.

There are many who hold to the emergency theory of banking. The so-called Aldrich, or Monetary Commission Bill, was based upon that view. It would have enabled bankers to have at their command a source of temporary relief in times of trial from which they could draw supplies of legal tender notes for their reserves, but with which they would not have been compelled to deposit a dollar unless they saw fit. They could have gone on maintaining their reserve deposits with their city correspondents as at present, drawing interest thereon, and permitting their reserve funds to be used as had

been customary through so many years. The Federal Reserve Act does not sanction this theory of banking, but it holds to the view that, in order to be a vital and effective medium, a co-operative combination or association of banks must be permanent and continuous in its operations.

During the discussion of the banking legislation of the past few years much has been said of the necessity of scientific methods and of the observance of European experience. This is what the Federal Reserve Act does, since it supplies an effective banking machinery whose operations are constant and whose influence is felt quite as much toward preventing the conditions that lead toward panic, as it is in checking and relieving panic when the latter condition has once made itself apparent. Up to date the effects of the Federal Reserve Banks have been exerted in the direction of conservatism. The Board had recognized that there was in this country a great deal of money; that the release of reserves last Autumn had provided a more than ample supply of funds; that the danger lay in an undue expansion of bank loans; that the use of reserve money should be discouraged rather than encouraged; that consequently the policy of the reserve banks should be devoted to the conserving and protecting of the ultimate funds of the country entrusted to the new banks by the terms of the law.

That this policy has drawn down upon the Board criticism from those who believed the mission of that body was to make money cheap and plentiful was to be expected. No heed has been paid to these criticisms, but the Board has continued its efforts to develop and maintain a meritorious and co-operative system designed to safeguard the ultimate welfare of the financial community. But this is only one side of the case. The time will come when it may be quite as truly the duty of the Board to encourage the release of funds as it is today to discourage it. When the present disorders in international trade are over it will be the duty of the Board to devote its energies in some measure at least toward developing on a more equal and equitable basis, both foreign and domestic business. It is thought to be the duty of the Board to-day to encourage so far as possible the restoration of that commercial usage which involves the creation of genuine commercial paper on distinct from the immense flood of promissory notes which constitute the staple of our banking assets.

How will it accomplish this object? I am aware that there have been and are a great many persons who say that the Federal Reserve Banks cannot get any business because the member banks will not bring it to them. They say that the member banks prefer to secure rediscounts as usual from their correspondents instead of dealing with the "red tape" institutions operated by Government employes. The Federal Reserve Act, however, provides an ample means for making the operations of the banks effective. It authorizes them to go into open market and to purchase there of any individual or corporation bills of exchange of the kinds by the Act made eligible for rediscount. When the time comes for the Federal Reserve Banks to exercise this great power they will undoubtedly do so, and in so doing they will provide themselves with business to any extent that they may desire, besides making their rates effective. They have already adopted this plan as to bankers' acceptances, it being the opinion of the Board that the development of this new type of paper could be successfully

attempted under existing conditions, and would not necessarily involve any injurious consequences.

RESERVE BANKS AUTONOMOUS.

The Federal Reserve Banks are, however, "autonomous," and I see no reason why the banks should "take orders" from any source except in so far as the law compels them to do so. I am very sure that the Federal Reserve Board has no intention of giving orders in the sense in which the term is employed.

Up to date it would have been impossible to find a more considerate and thoughtful regard for the wishes of the business community and for the legitimate interests of the banks than that which has been displayed by the Board. While keeping its eye single to its public duty, it has resolutely refused to take any measures that might smack of demagogism or of undue interference with private rights, or of efforts to attack any proper interests. The attitude of the Board has been similar to that of a famous college president whom I once knew. This college president seemed to be a veritable conjurer in gathering money. Dollars fairly flew out of the pockets of capitalists to follow him. Some one introduced him as man greatly gifted in the art of getting money, but in a somewhat aggrieved voice he protested that never in his life had he asked for a single dollar. "I have never done anything more than to point out opportunities," he ended. This has been somewhat the policy of the Federal Reserve Board. It has pointed out opportunities to Federal Reserve Banks, and has expected them to take advantage of them. They have done so in the main and I believe they will continue to do so in the future.

The logic of events, if nothing else, would lead them to recognize that the business public expected them so to conduct their affairs as to bring about the effective operation of the banks. The business public would not pay very much heed to the statement that a Federal Reserve Bank cannot earn dividends, should that bank fail or refuse to take advantage of opportunities for investment accorded to it, under the Federal Reserve Act and the regulations of the Board. And in the same way with reference to the exercise of other functions the public at large will apply to the banks the Biblical principle that of those to whom much has been given, much will be required. Federal Reserve Banks cannot fail to make the talents in their possession produce their legitimate return unless they are willing to be cast out as unprofitable servants. The public will not fail to assign the responsibility, whatever it may be, for any dereliction; and it will hold those liable whose action has produced any result of which complaint is legitimately made.

UNIFYING THE BANKING SYSTEM.

I have spoken of the question of profits and of the attitude of the banks towards the business community. There is another aspect which is of equal, perhaps greater, importance, and in which the same principles govern. I refer to the public or general view of the work of the banks and of the Board. One duty which was laid upon the Federal Reserve Board by Congress was that of unifying the banking system. In its earlier stages the Glass Bill, which afterwards became the Federal Reserve Act, was intended simply for National banks. Then it was felt that a decided advantage would be gained by throwing the system open to State banks; then it was

deemed wise to include trust companies and other classes of institutions within the bounds of the United States; but it was recognized by those who had the matter in charge that this meant that State and private banks and trust companies would be given equal treatment with National banks, and that as the bank circulation privileges of the latter gradually disappeared, the value of the National charter would somewhat decline.

For this reason it was deemed wise that National banks should be granted some of the functions that had been solely enjoyed by State banks and trust companies, and hence was incorporated in the Act the provision that the Federal Reserve Board might, by resolution, vest banks with the power to exercise the functions of executor, trustee, etc. The Federal Reserve Board has exercised this responsibility in good faith, and has begun granting applications for these powers to such banks as appeared to merit the right. But just as this phase of development is entered upon some opponents and critics seem disposed to check and suspend the full working out of the purposes of the Federal Reserve Act in this direction. Apparently the theory upon which the trust companies are acting is that, even though the Government of the United States stands ready to bestow a power, and even though the people of a State stand ready to permit the exercise of it as indicated by enactment of that State's Legislature, yet there is some interest or consideration that should be permitted to stand in the way of what is granted by Congress, by a sovereign State, and desired by the people. Can it be possible that such an attitude has been deliberately adopted? I do not believe that far-sighted men can commit themselves to such a proposition. Would it not be a broader policy to cooperate with the Federal Reserve Board in applying the Federal Reserve Act, and, if it should appear that hardship is wrought, to obtain relief either from Congress or from the legislatures of the several States, relying upon them to protect their own people as they very simply can by merely providing that National banks may not exercise the functions referred to within their borders?

THE CLEARANCE OF CHECKS.

There is another matter in which the public has expressed its wish that Federal Reserve Banks render a definite service to the community. This is in respect to the clearance of checks. The Federal Reserve Act provides that the new Reserve banks shall act as clearing houses for their members, and that the charge for exchange shall be regulated by the Federal Reserve Board. The Federal Reserve Banks are on the point of undertaking this service. Just as they are prepared to do so, suggestions are heard that this function is said to be uneconomic or likely to deprive banks of their profits. It is currently asserted that many country banks make a large part of their profits from exchange charges, and that they cannot afford to give them up. There are two necessary considerations in this connection. The one is that the Act does not specify that exchange charges shall be given up, but merely that they shall be moderate and under the control of the Federal Reserve Board. The other consideration is that the Act holds out to banks opportunities of profit so much greater and better than those that are available under the old law as to make this loss of exchange, even if serious, a purely minor matter.

Let us take the case of a country bank of \$50,000 capital and \$100,000 deposits. Under the old law it had to carry a reserve of 15 per cent., of which \$9,000 might be kept on deposit at interest with a city correspondent, who would pay 2 per cent., or \$180 per annum, for the use of the fund. This bank to-day has to carry only 12 per cent. reserve, thus releasing \$3,000, which it can use as it pleases. It is true that of the \$12,000 none, when the Act is fully in operation, can be carried at interest with a correspondent and counted as reserves; but there is nothing to prevent it being carried with the correspondent at interest if the bank is willing to maintain the required percentage in the Federal Reserve Bank. Such a bank, under existing conditions, if it desires to get circulation, must purchase Government bonds and deposit the same in Washington, thereby depriving itself of its original cash to a corresponding amount. The bank, under the new regime, gets its currency from the Reserve bank, does not need to carry any reserves against these notes, and ties up none of its funds. It is enabled to lend the notes it thus obtains meeting its customers' needs, and merely guaranteeing the commercial paper which they have left the Federal Reserve Bank, as a basis for circulation.

The banks have been given, in addition, the privilege of accepting paper to an amount equal to their surplus and capital, and when this right has been fully developed in practise, its legitimate exercise will be a source of profit of very much greater importance than either the exchange charges or the interest on deposits under the old system. In short, there can be no comparison between the condition of a country bank before the Federal Reserve Act was adopted, and its condition to-day as a profit-making enterprise. Its capital has been rendered active. It has been insured against risk through the provisions of the Federal Reserve Act; it has been provided with an adequate supply of currency for its community; it has been made an effective means for the payment of the claims of its customers upon other persons, and of their claims upon their customers. The provisions of the Act, therefore, make for efficiency, speed, elimination of middlemen's unnecessary profits and general betterment. If there are any of you who say that in this process there is suffering to some concerns or individuals who have been supported by the proceeds of unnecessary work under the old system, I can simply say that I regret it; but that the new system, with its larger opportunities, affords opportunities for all agencies and all funds that were employed under the old; it merely requires their employment in a different way.

No apology is needed for the introduction of labor-saving devices in any industry, or for the elimination of routine methods and the substitution of efficient ones. If you choose to say that the adoption of these improvements is academic or impractical, I can only cite you to the fact that what has been done follows the best practise of other countries, and is being copied by some of the ablest State institutions at present. The largest banking institution in the United States has availed itself already extensively of the branch bank provision of the Federal Reserve Act. The progressive National banks are entering the acceptance business. The soundest are applying for the right to exercise the functions of trustee and executor. The more enterprising are, in many cases, taking advantage of the rediscounts and

note issue provisions. An able Western banker said to me the other day, "I have not needed any rediscounts since the Federal Reserve Bank was established, but I make it a point to keep a small line there so that I may be in position to enlarge it whenever necessary without going through any introductory formality whatever." There are many such bankers, and there are numerous others who are already keeping more than the necessary minimum of reserve with the Federal Reserve Banks. Their policy is based upon a more far-sighted view than that which is controlled simply by a weekly or monthly estimate of immediate trade.

There is, in short, an ample field for profits and enlargement of business under the Federal Reserve Act which may be availed of by any institution which chooses to take advantage of it. At the same time the system is enabled to do its share in meeting the necessities of the community and in overcoming conditions which in the past have been injurious to the public, as well as to the banks themselves.

The Federal Reserve Act is not perfect; few great statutes are. If it requires some amendments and alterations before it reaches its final status, such alterations will undoubtedly be readily and willingly granted

by Congress along any legitimate line. That Congress and the public will decline to permit merely wanton modifications for political purposes is probably equally certain. If these assumptions be correct, the conclusion must be admitted that we have definitely started upon a new era in American banking. It is well that those who recognize this fact should pledge themselves thoughtfully and sincerely to co-operation in the improvement and application of the Federal Reserve Act.

Much has been said of the necessity of taking the banks "out of politics." There never was a time when such action was more wisely and more soundly to be demanded than the present. Those who suggest the re-introduction of the issue into politics do not counsel well either from the standpoint of the banks themselves, the business public or the country at large. Co-operation among all concerned in the working out of the new system of banking, substantially along the lines that have been laid down, in the elimination of such minor defects as it may possess, in the improvement of American business and banking practices, and in the elimination of all grounds for criticism on the part of the community, will render a great service to financial and commercial stability in this country.

STUDIES IN GRAMMAR AND RHETORIC

ENGLISH GRAMMAR—A text-book—without dry rules or barrel definitions—on the principles that govern the formation of words and the relationship of words in sentences.

ENGLISH RHETORIC—A text-book—clear, forceful and magnetic—on correspondence, speechmaking and writing for publication.

The foregoing books are supplied by the Correspondence Chapter of the American Institute of Banking, 5 Nassau Street, New York City. Price 50 cents each.

Primitive man had no need of cultivated speech. Neither has the uncivilized modern. His thoughts are almost as limited as his vocabulary. His wishes, ideas, demands, are simple. They call for no niceties of expression. Is he hungry, thirsty, tired? He can make these feelings known, no matter how carelessly or faultily he picks his words or frames his sentences. It matters little if he only grunts or groans. His fellows understand.

In a modified degree this may also be said of those who are content to be hewers of wood and drawers of water. Their usefulness in the universal plan of things depends little on how they express their thoughts. It is when men's relations to one another grow complex that exactness in communicating ideas becomes necessary.

Many who are native born thrive and prosper without ever obtaining more than scant knowledge of their own language. This is because they stick to the rudiments of barter and trade. But whosoever would follow the more complicated paths of commerce, leading to positions of responsibility and corresponding compensation, must know not only what to say but how to say it.

This is so simple a truth that it seems a waste of words to state it. Yet it is frequently disregarded. You need not look far among those you know to find men who, although otherwise splendidly equipped for important work, express their thoughts not only crudely but at times indistinctly. "Still," you say, "they have made

fortunes." Yes, but in spite of their lack of facility in expression, not because of it.

As with all arts, composition has its rules. But they are not arbitrary. You may know them all by heart and still be unable to use proper words in proper places, just as you may learn many rules about voice culture and still be unable to sing. On the other hand, you may absorb unconsciously all that rules attempt to teach. Abraham Lincoln, it is said, never studied the technicalities of rhetoric, yet his speech on the battlefield of Gettysburg is a rhetorical masterpiece.

Such rules of composition as there are have mainly to do with the selection of words and their arrangement in sentences. Just as with most difficult things, composition may be reduced to simple parts. You take so much carbon and apply so much pressure at a certain temperature and you produce a diamond, so the scientists assure us. Well, you choose just the right words, put them together in just the right way and you have a Gray's Elegy or a maxim by La Rochefoucauld. It is quite simple; as simple, in fact, as the formula for lawn-making given to an American tourist by Lord Rosebery's head gardener:

"Tell me," said the tourist, "how you manage to get such a beautiful, velvety lawn?"

"Why, sir, it's no secret," was the reply; "you just works up your loam smooth and soft-like. Next you sows your seed and rolls it down 'ard. Then you cuts it reg'lar once a week for two or three 'undred years, and there you hare."

Happily, the art of facile expression is not one that needs to be cultivated for generations before satisfactory results are reached. The picking of the right word and the putting of it in the right place constitute an art which is not, on the other hand, to be acquired "while you wait," or without systematic study of such books on grammar and rhetoric as the Correspondence Chapter of the American Institute of Banking provides.

PROBABLE EFFECT OF RESERVE ACT ON NEW YORK AS A BANKING CENTER

The following paper by Frederick T. Bolan, of the National Bank of Commerce, was awarded this year's Cannon Prize in the New York Chapter:

In estimating the effects of the Federal Reserve Act upon New York as a banking center it can be readily seen that these effects will naturally divide themselves into two classes, direct and indirect. The direct effects, being those due to the operation of the Act in changing and modifying the methods used by the banks in conducting their business, will be the first to manifest themselves and they will also be of great, perhaps paramount, interest to the practical bank officer, as they immediately influence profit, and profit is the primary reason for a bank's existence. These direct effects will, however, in the course of time prove to be of minor importance in comparison with the indirect effects in determining the future position of New York as a banking center. Owing to the limited length of this paper it will be necessary to confine the analysis of the direct effects to very brief and general statements.

Section 19 of the Act, which is the section prescribing the reserves to be held by member banks and the manner in which they are to be held, and which establishes the percentages to be held in the member bank's vault and on deposit with the Federal Reserve Bank, is the section of the Act which has the greatest interest for the National banks of New York, many of which have made a specialty of caring for the reserve accounts of out-of-town banks. This section compels the reserve balances now carried in New York to be gradually transferred to the various Federal Reserve Banks and allows 36 months in which to effect this transfer. At the expiration of this time none of the deposits carried by National banks with New York banks may be counted as reserve.

Reference to the report of the Comptroller of the Currency shows that on September 12, 1914, the 33 National banks of New York had deposits of out-of-town National banks amounting to \$286,400,000. Since, eventually, no part of this amount may be counted as reserve, we will have to face the fact that there is a possibility that the greater part, if not all, of this will be withdrawn. But "cheer up, the worst is yet to come." State banks are also permitted to join. On September 12, 1914, the National banks of New York held deposits of State banks aggregating \$136,170,000. Should the system prove to be so successful that any considerable number of State banks should join the system, this sum would cease to be counted as reserve and might also be withdrawn. Trust companies and stock savings banks may also become members. On September 12, 1914, the National banks of New York held \$187,720,000 in deposits of trust companies and savings banks. Should these institutions join the system part of this amount will be withdrawn.

Thus we have the imposing total of \$610,290,000 in deposits which will eventually be affected by the operation of the Act. It would be somewhat rash to venture a prediction as to the extent to which these funds will be withdrawn, but let us see if we cannot estimate ap-

proximately what will not leave New York. We all know that Chicago and St. Louis National banks keep large sums in New York which they cannot count as reserve; \$20,000,000 is a conservative estimate of the sum so kept. There is no reason why these banks should not continue to keep this sum in New York. Reference to the Comptroller's report will show that of the \$286,400,000 of National bank deposits previously mentioned, \$56,320,000 was that of New York State National banks, which will remain in New York in any event on deposit with the Federal Reserve Bank. The Federal Reserve system offers practically no inducements to State banks and trust companies, and for that reason we may expect very few of them to join, so that New York will lose practically none of such deposits except in the event that the check collection feature of the system should prove to be a greater inducement than at present appears likely. In any event it is not at all probable that New York will lose over \$200,000,000 in deposits. To partially offset this depletion of loanable funds we have the reduction in the reserve required to be carried by New York banks. This will permit an expansion of loans to the extent of at least \$100,000,000, and by availing themselves of the privilege of rediscounting with the Federal Reserve Bank the banks of New York may still further expand their loaning power, so that the loss of loaning power caused by the withdrawal of country bank reserves will probably be made good by these means.

The provisions of the Act relating to the clearing of checks and transfer of funds may ultimately exert a great influence upon the position of New York as a banking center, as they may be used in such a way as to induce or compel State banks and trust companies to join the system, and also may obviate the necessity of member banks remitting for collections and also reduce the necessity for country banks to carry balances in New York against which to draw these remittance checks, a transfer on the books of the Federal Reserve Bank being used instead, somewhat after the manner of the Giro system of Germany. The check collection and clearing system might also prove to be so successful that all checks will pass at par throughout the country without regard to the location of the bank upon which drawn, which would still further reduce the demand for New York exchange. Such results, while possible, are of remote probability, and we may still expect to see New York exchange continue as the medium in which the balance between the different sections of our country is settled.

As the present banking power of New York is the result of the growth of the general business of the city and its position as a mercantile center, the greatest and most permanent effects of the Act upon New York will be found in the changes produced in economic conditions. While in all probability these changes will be manifested gradually through a period of years, perhaps decades, they will ultimately exert a controlling influence upon all forms of commerce and financial endeavor.

In the past it has been the custom in the American mercantile world to extend credit by means of book accounts and for the manufacturer or jobber to obtain the capital necessary for this from a bank or banks by the means of a simple promissory note. The weak feature of this method is the fact that the banks discounting or purchasing this sort of paper are as a rule unable to know whether their funds are being used legitimately to finance the production and distribution of commodities or invested in plant, real estate or other forms of fixed investment, or are being used for purposes foreign to the business conducted by the borrower. On the other hand, it is the practise in Europe to finance the production and distribution of goods, both foreign and domestic, by the use of accepted drafts, or bills of exchange, each based upon a separate, actual transaction to be concluded before the bill matures and out of the proceeds of which the bill is liquidated. These bills, when accepted by houses of known and tested credit, are dealt in on the London discount market and are bought and sold by banks situated in every country of Europe. Bills of this character form the greater part of the secondary reserve of the great joint-stock banks of England, France and Germany, which carry a very small cash reserve, depending upon the ability of the central banks of their respective countries to rediscount this prime paper in order to meet any emergency which might arise.

Undoubtedly it was the intention, on the part of the framers of the Act, to establish in this country a counterpart of the London discount market, which led them to restrict the open market operations of the Federal Reserve Banks to cable transfers, bankers' acceptances and bills of exchange, excluding promissory notes.

By giving a lower rate of discount on this class of paper the banks will make it to the advantage of the borrower to use it whenever possible. Note brokers, because of the superior market ability of such paper, will advise their clients to restrict their output to paper of this character as far as possible. Thus in the course of time will be built up a discount market, or rather 12 discount markets. The one at New York will be by far the most important, owing to the fact that the major part of our country's foreign commerce is done through New York. This enormous volume of foreign trade has hitherto been financed largely by London, but the Act in its provisions for foreign branches of National banks makes possible the substitution of dollar exchange for

sterling exchange in financing the needs of our foreign commerce.

As New York contains a larger number of banks with sufficient capital and resources to inspire confidence in the foreign banking field than any other city in the country, it will naturally follow that this provision will increase the prestige of New York as a banking center.

The principal obstacles to the increased use of dollar exchange are three in number. First, the limit placed by the Act upon the power of the banks to make acceptances. This can be removed by Congress at any time that conditions demand it. The second obstacle is the inertia and conservatism of foreign traders, who have found sterling exchange to be satisfactory and are loth to change. The war in Europe has done much to break down such prejudices and has interrupted ordinary channels of trade, and the resulting conditions will probably tend to eliminate this obstacle. The third and greatest obstacle is the fact that we are a debtor nation and the only cure for this is time and the more general practise of economy.

It appears to be the consensus of opinion that call loans on stock exchange collateral as a form of secondary reserve will be displaced by commercial paper eligible for rediscount, with the resultant effect of raising the interest rate on call loans permanently and thereby eliminating speculation due to periods of abnormally cheap money. Money rates will become more stable and security prices will more closely follow general business conditions.

Among the important effects of the Act, and one more important than it may appear to be, will be the removal of the suspicion of the motives of New York bankers, which suspicion has been very strong in the past; so strong, in fact, that it has seriously hampered their operations.

Taken as a whole, the operation of the Act will ultimately be favorable to the growth of New York as a banking center. Although there may be a temporary diminution of loanable funds incidental to the shifting of reserves, this will be more than offset, in the course of time, by the reduced reserve requirements and the ability to rediscount eligible paper. The establishment of an open discount market, international in scope, coupled with the increased use of dollar exchange, will enable New York to take the place in international finance to which she is entitled by reason of her commercial greatness.

◆ ◆ ◆ RUSSIAN-AMERICAN TRADE

One of the most important drawbacks to Russian-American trade has been the question of credit, writes Consul General John H. Snodgrass, of Moscow. The exports coming from the United States were almost exclusively paid f. o. b. the port of departure; local banks avoided all intervention. Russian importers, therefore, had recourse to the American market only when it was absolutely necessary.

The European war presents an opportunity to substitute American goods for those formerly used, and special energy is noted in the foundry and machine-building industries. A bank in New York has opened a credit of \$25,000,000 to the Russian Adriatic Bank (Petrograd), which will be employed for payment of

purchases made by Russian importers. This has so interested financial circles in the United States that, according to information at hand, a group of capitalists are planning to offer to any Russian bank a loan not exceeding \$15,000,000 on the following conditions: On all sums paid out in the United States on account of the above credit 6 per cent. is to be charged; the money is to be returned 30 to 40 days after the credit has been exhausted, if required. Payment is to be made in London; after payment the loan can be renewed. Goods will be forwarded c. i. f. Russian ports on condition that the Russian Government or one of the large banks guarantees payment of the drafts when presented.

A BOOK ON ELEMENTARY BANKING FOR BEGINNERS

Last year the Institute presented in pamphlet form a clear and comprehensive syllabus for post-graduate study. This syllabus was prepared by Professor Sprague, of the Board of Regents, and its publication filled the needs of Institute graduates for something that would direct their further studies in the intricacies and more advanced theories of banking practise.

The Institute is now in position to fill a want that has long since existed in the opposite direction. Up to the present time there has been no book which could be recommended for the young man just entering the banking business and entirely unfamiliar with its purposes and methods. Such a book is now available in "Elementary Banking," by O. Howard Wolfe, published by the Correspondence Chapter. The book is a short, clear and concise explanation of banking, both as to its fundamental principles and every-day transactions. It is brought up to date in that the effect of the Federal Reserve Act upon the various phases of banking is explained.

The book is intended for general reading or text book purposes. If used as a text book in Chapters conducting an elementary banking course, the subject matter is so arranged that it can be amplified and illustrated

by any practical bank man. In teaching any subject, knowledge of the facts is no more important than the ability to teach them to others. Anyone who may undertake to teach either elementary or more advanced banking would do well to study the method of presentation which Mr. Wolfe has arranged in his book. The experience which he has gained in teaching bank men should be useful to others in like work.

Large and small banks will find the book very useful for their new employes. All bankers of experience know how difficult it is to put a new system of accounting into operation or how hard it is to "break in" a clerk in a new position. Both these conditions arise as a result of the fact that the clerks are not trained in the fundamental theories of banking, with which every bank man must be familiar.

Handsome bound copies of the book, well printed on good paper, may be had at one dollar (\$1.00) each. Ten per cent. reduction will be allowed for quantities of 10 or more to Chapters of the Institute or banks that are members of the American Bankers Association. Remittance should be in New York funds. Address Correspondence Chapter, American Institute of Banking, 5 Nassau Street, New York.

PROGRAM OF THE INSTITUTE CONVENTION

With the thirteenth annual reunion three months distant at the time of writing, the Program Committee can submit to the members of the Institute only a partial outline of the program.

In accord with the unanimous opinion of the members of the Executive Council, the committee has decided to limit the business sessions to one each day, choosing the hours 9.30 a. m. to 1 p. m., in order that the delegates and visitors may have as much time as possible at their command to view the exposition—the greatest in the world's history—and visit points of interest in and about San Francisco.

This arrangement presents some difficulties, but the Program Committee is striving most earnestly to surmount them and arrange the meetings so that the most important topics of the day will be up for discussion; and to this end is endeavoring to secure speakers of national reputation to participate in conjunction with some of the leading members of the Institute.

San Francisco will undoubtedly be the Mecca for hundreds of Institute members on account of the exceptional opportunities afforded to visit two world's expositions, the Panama-Pacific International and the San Diego, passing en route through some of the wonderful scenery of our Western States—and to be royally entertained for three days by the members of San Francisco Chapter, who have anticipated and have been planning during the past five years for this very convention.

The St. Francis Hotel, one of the finest hotels in the West, has been selected as headquarters, where ample and suitable accommodations are at our disposal for business sessions, conferences and dinners. Reservations have been made at the St. Francis and close-by hotels to accommodate all who will attend.

Thursday, August 18th, the first day, will be given

up to brief opening ceremonies and addresses. James K. Lynch, Vice-President of the American Bankers Association (who also addressed the Salt Lake convention on "The Banking Possibilities of the West"), will speak on "The Short-sightedness of Bankers."

The second day will be taken up in the discussion of two of the most important subjects before bankers today: First, "Branch Banking and Our Trade Relations in South America," by H. R. Eldridge, Vice-President of the National City Bank of New York, in charge of the branch banks of the National City in South America. This will be followed, if time permits, by a discussion by the members. Second, "Success Under the Federal Reserve System," by a member of one of the Federal Reserve banks, following which a symposium of the different subjects will be conducted by prominent Institute men.

The third day will be of no less interest to the members, for at this session the popular feature of an inter-Chapter debate, between teams from the East and West, will be staged. Addresses by prominent financiers, the election of officers and the choosing of the convention city will follow.

A prominent place also will be given the Chapter presidents' conference.

The committee hopes to have ready for the next issue of the BULLETIN a complete program—one that will compare well with the high standard maintained at former conventions, and which will in every particular accord with the aims of intelligent Institute men.

STEWART D. BECKLEY,
RALPH A. NEWELL,
THOMAS H. WEST,

Committee.

INSTITUTE CHAPTERGRAMS

GOING TO THE SAN FRANCISCO CONVENTION

BY THE TRANSPORTATION COMMITTEE.

In order to insure a more comfortable and pleasant trip for the personnel of the American Institute of Banking attending the convention at San Francisco, Cal., August 18th to 20th, complete arrangements have been made for a special American Institute of Banking train to be operated from Chicago for the exclusive accommodation of our delegation.

Eastern delegates will join the special train at Chicago. Those finding it more convenient to start from points west of Chicago may arrange to meet our special en route. Because of the scenic attractions and dependable high quality of service, the Burlington and Santa Fe have been chosen as the official routes for our going trip. It is hoped that many members with their families will avail themselves of this unusual opportunity to visit the West when its attractions are greatest and the conditions most favorable.

GEORGE A. JACKSON, Chairman, Continental & Commercial National Bank, Chicago, Ill.;

HENRY R. KINSEY, Williamsburg Savings Bank, Brooklyn, N. Y.;

WILLIAM A. MARCUS, Savings Union Bank & Trust Company, San Francisco, Cal.,

TRANSPORTATION COMMITTEE.

SPECIAL TRAIN.

Our train will be personally conducted on the entire trip from Chicago by a passenger department representative. It will be elegantly equipped and one of the handsomest trains ever assembled. The equipment will include a dynamo baggage car (from which the train will be brilliantly lighted), standard drawing-room and compartment, steel sleeping cars, observation library car and a dining car to Kansas City. Beyond, the famously well-appointed Harvey houses will be patronized. It has been thought that the advantages of this arrangement will be thoroughly appreciated by our members, as the drilling continuity of the journey will be broken at meal time and an opportunity given to look about and get a bit of invigorating exercise. Every possible effort will be made by the railroads to make this one of the most comfortable and enjoyable trips ever undertaken by the American Institute of Banking.

Aug. 11.	Lv. Chicago	6:00 P. M.	Burlgtn Route.
Aug. 12.	Ar. Kansas City	8:00 A. M.	Burlgtn Route.
Aug. 12.	Lv. Kansas City	2:00 P. M.	Santa Fe.
Aug. 12.	Ar. Newton, Kan.	6:50 P. M.	Dinner.
Aug. 12.	Lv. Newton, Kan.	7:35 P. M.	
Aug. 12.	Ar. Trinidad, Colo.	7:35 A. M.	Breakfast.
Aug. 12.	Lv. Denver	7:45 P. M.	Santa Fe.
Aug. 12.	Lv. Colorado Springs	10:30 P. M.	Santa Fe.
Aug. 12.	Lv. Pueblo	11:50 P. M.	Santa Fe.
Aug. 13.	Ar. Trinidad	7:40 A. M.	Santa Fe.
Aug. 13.	Lv. Trinidad	7:55 A. M.	
Aug. 13.	Ar. Las Vegas	12:30 P. M.	Luncheon.
Aug. 13.	Lv. Las Vegas	1:15 P. M.	
Aug. 13.	Ar. Albuquerque	5:30 P. M.	Dinner.
Aug. 13.	Lv. Albuquerque	6:30 P. M.	
Aug. 14.	Ar. Grand Canyon	8:00 A. M.	
Aug. 14.	Lv. Grand Canyon	7:00 P. M.	
Aug. 15.	Ar. Barstow	7:45 A. M.	Breakfast.
Aug. 15.	Lv. Barstow	8:30 A. M.	

Aug. 15.	Ar. Los Angeles	1:30 P. M.	Lunch & Dinner.
Aug. 15.	Lv. Los Angeles	11:59 P. M.	
Aug. 16.	Ar. San Diego	7:00 A. M.	
Aug. 16.	Lv. San Diego	8:30 P. M.	
Aug. 17.	Ar. Bakersfield	8:15 A. M.	Breakfast.
Aug. 17.	Lv. Bakersfield	9:00 A. M.	
Aug. 17.	Ar. Merced, Cal.	12:55 P. M.	Luncheon.
Aug. 17.	Lv. Merced, Cal.	1:30 P. M.	
Aug. 17.	Ar. San Francisco	6:05 P. M.	

WEDNESDAY, August 11th.—For the convenience of members of the Institute coming from the East it has been arranged to open headquarters at the La Salle Hotel during the day. The American Institute of Banking special train will leave the Union Passenger Station (Canal and Adams Streets), Chicago, at 6.10 p. m. Dinner will be served immediately after leaving Chicago.

THURSDAY, August 12th.—The morning of this day will find our train speeding across the prairies of western Missouri. Nearing Kansas City our party will have an excellent view of the Missouri River and the city spread over the hills bordering the far shore of this notoriously muddy stream. Arrival will be made at the splendid new \$40,000,000 terminal at 8 o'clock. Kansas City has many points of civic interest. Her remarkable financial institutions led the Transportation Committee to arrange for a few hours' sojourn within her hospitable gates. It is hoped that time will permit our party to take an automobile tour of her parks, boulevards and beautiful residential sections. Our special train will leave Kansas City at 2 p. m., via the Santa Fe Railway. The afternoon will be pleasantly spent in traversing that section of Kansas which contributed so largely this last season in winning for the State such substantial prosperity and wide publicity on account of its enormous production of wheat. Dinner will be taken at Newton, 7 p. m. to 7.45 p. m.

FRIDAY, August 13th.—Breakfast at Trinidad, 7.45 a. m. to 8.30 a. m. Here the Denver contingent will join the Institute Special. At Trinidad are the rich industries of coke, coal, iron and wool. The adobe architecture makes its first appearance. Here also begins the final ascent to the first of many lofty mountain gateways, important among which is the Raton Pass, particularly interesting on account of its steepness, the tortuous winding of its curves and the endless variety of beautiful mountain views. The next point of interest reached is Las Vegas, the commercial metropolis of northern New Mexico, located almost at the verge of the plain and mountain. Luncheon will be taken at Las Vegas, 12.45 p. m. to 1.30 p. m. Between Las Vegas and Albuquerque is the Glorietta Range of the Rockies, which is crossed through a pass of the same name, altitude 7,453 feet. A stop of 45 minutes at Albuquerque from 6.15 p. m. to 7 p. m. allows ample time for dinner in the strikingly beautiful Alvarado Hotel, a faithful reproduction of the Spanish mission style. It commands a magnificent view across the plains; there the purple distant peaks are silhouetted against the tur-

quous sky. Beyond lies the city of Albuquerque, the big tower of central New Mexico.

SATURDAY, August 14th.—Arrive Grand Canyon of the Colorado River 8 a. m. As the final culmination for a series of canyons extending for 500 miles along the Colorado River, the Grand Canyon of Arizona is the climax to this rare and wonderful work of nature. The mighty chasm extends 217 miles southward from the mouth of the Little Colorado River, 65 miles of which is known as the Granite Gorge section. It is through this that the river has carved a winding channel more than a mile deep and from 10 to 13 miles wide. In this yawning gorge are hundreds of mountain formations more imposing than Mount Washington. The color effect of the many tinted rock strata is a never-to-be-forgotten sight. The most interesting portion of the Grand Canyon is reached by rail to the head of the "Bright Angel Trail," where is located the tourist-famous quarter-of-a-million-dollar hotel, the El Tovar, where the day's three meals will be taken.

SUNDAY, August 15th.—Breakfast is provided at Barstow, 7.45 a. m. to 8.30 a. m., after passing through San Bernardino and beyond the orchards of peach, apricot, prune, olive, fig, almond, walnut and the always eagerly anticipated one of orange, so characteristic of California. Arrive Los Angeles 1.30 p. m. There are so many interesting things to see about Los Angeles that our party will spend a brimful afternoon and evening in this wealthy metropolis of southern California. Leave Los Angeles 11.59 p. m.

MONDAY, August 16th.—Arrive San Diego 7 a. m. This day and evening will be busily occupied by viewing San Diego and its charming Exposition. Leave San Diego 8.30 p. m.

TUESDAY, August 17th.—Our route lies through the beautiful San Joaquin River Valley, skirted on either side by beautiful mountain ranges. Many prosperous towns are passed en route, which include Bakersfield, where the breakfast stop is made; Fresno, Merced, where lunch is taken, and from which a side trip is made into the Yosemite Valley and Stockton. After being ferried across San Francisco Bay our party is scheduled to arrive at San Francisco at 6 p. m., upon which the party will go immediately to hotels where rooms have been reserved.

RAILROAD FARES.

During our convention there will be on sale round-trip tickets with a final limit of three months from date of sale, not to exceed December 31, 1915, permitting stop-overs at any point in either direction. Following are the rates:

TO	FROM	TO
	\$62.50 Chicago	\$80.00
	57.50 St. Louis	75.00
	59.25 Peoria	76.50
	50.00 Kansas City	67.50
San Francisco	50.00 Omaha	67.50
Los Angeles	63.85 Minneapolis	74.45
San Diego	81.25 Pittsburgh	98.45
Oakland	98.80 New York	116.30
Return via	95.20 Philadelphia	112.70
Direct Route.	104.20 Boston	121.70
	67.10 Indianapolis	85.00
	76.20 Cleveland	93.70
	73.50 Detroit	91.00
	70.25 Cincinnati	88.40
	74.18 Columbus	91.85
		San Francisco
		Los Angeles
		San Diego
		Oakland
		and return
		One Way via
		Seattle
		Portland or
		Victoria.

You will find it more convenient to buy your round-trip railroad ticket from your home town, but be sure to specify that it reads by the route of the special train shown in the schedule. The return route is optional. If you have your ticket routed via the Great Northern Pacific Steamship Company between San Francisco and Portland there will be no extra charge for meals and berths while at sea. The fares quoted from New York, Philadelphia, Boston, Cleveland and Pittsburgh are standard. Differential fares are also available at a slightly lower cost. The following sleeping-car fares will apply for the going trip, including stop-overs, from Chicago to San Francisco as per schedule of our special train: Lower standard berth, \$18.50; upper standard berth, \$14.50; drawing-room, \$65; compartment, \$52.

RETURN ACCOMMODATIONS.

In order to allow a freedom in the selection of return routes in accordance with the individual wishes and needs of every member of our party, no definite special party arrangements are made for the return trip. For your convenience, however, we have outlined here with several of the most interesting and popular return trips. If it is found that the necessary number of persons will travel together in one party, special equipment will gladly be furnished for some, including any pre-arranged stop-overs that may be considered desirable.

FROM SAN FRANCISCO.

Route A.—To Portland via Great Northern Pacific Steamship Line or Southern Pacific Railway. To Billings or Minneapolis-St. Paul (via Seattle if desired), Great Northern Railway. To Chicago, Omaha, Kansas City or St. Louis via Burlington Route (C., B. & Q. R. R.). The sea trip to Portland offers you all the exhilarations of a trans-oceanic trip. The time consumed by the trip is no greater than via rail, and the expense is considerably less. The Great Northern Railway skirts for 60 miles the wonderful Glacier National Park region. Stop-over privileges and side-trip expenses are very favorable for a most interesting tour of the park.

Route B.—Same as Route A, except that from Portland to Billings or Minneapolis-St. Paul (via Seattle if desired) the Northern Pacific Railway is used. To Chicago, Omaha, Kansas City or St. Louis, Burlington Route (C., B. & Q. R. R.). This enables passengers to make a convenient side trip into Yellowstone Park from Livingston, through Gardiner, the northern and original entrance.

Route C.—Same as Route A, except that from Portland, Great Northern or Northern Pacific to Seattle, boat to Victoria or Vancouver, Canadian Pacific through the Canadian Rockies to St. Paul (via Winnipeg if desired). To Chicago or St. Louis, Burlington Route (C., B. & Q. R. R.).

Route D.—To Los Angeles, Southern Pacific or A., T. & S. F. (Side trip to Yosemite Valley.) To Salt Lake City, Salt Lake Route. (Side trip to Yellowstone Park.) To Denver via D. & R. G. Railway through scenic Colorado. To Chicago, Omaha, Kansas City or St. Louis via Burlington Route (C., B. & Q. R. R.).

Route E.—To Salt Lake City, Western Pacific via the famous Feather River Canyon. (Side trip to Yellowstone Park.) D. & R. G. to Denver. To Chicago,

Omaha, Kansas City or St. Louis via Burlington Route (C., B. & Q. R. R.).

Route F.—To Ogden via Southern Pacific Railway. (Side trip to Yellowstone Park.) To Denver via D. & R. G. through scenic Colorado. To Chicago, Omaha, Kansas City or St. Louis via Burlington Route (C., B. & Q. R. R.).

Route G.—To Denver, Santa Fe Railway. (Side trip to Yosemite Valley.) (Side trip to Grand Canyon of the Colorado.) To Chicago, Omaha, Kansas City or St. Louis via Burlington Route (C., B. & Q. R. R.).

ALBANY.

BY J. RAYMOND ROOS.

After a season of activity the annual election of officers on May 20th brought to a close the third administration of the Albany Chapter. The final meeting of the year, held in the National Commercial Bank, was a night of good fellowship. The reports of our officers and chairmen of various committees showed that Albany Chapter was not asleep during the past year but advanced in the path of education. Sixteen members tried the final examination on "Economics and Practical Banking" Tuesday evening, May 18th, under the direction of Professor Hill at the Albany Law School. Every one is anxiously waiting to hear of the result. Then for the shouting. Our average attendance for the year was 25. Our open meetings have been very interesting and instructive. A good line of speakers was secured and up-to-the-minute speeches were made by some of the Capitol district's best men.

Our list included: Thomas I. Van Antwerp, Vice-President of the Union Trust, who gave a very interesting talk on the revised New York State banking laws of 1914 as applied with Trust Companies, and compared portions of it with the old law. William R. Adams, District Manager of the New York Telephone Company, gave an illustrated lecture on the "Telephone," its development from its earliest inception to the present time. Jacob H. Herzog, Vice-President of the National Commercial Bank, spoke on "The Transit Department" in relation to collections and the Transit Department of the Federal Reserve Bank in as far as it has been put into operation. George E. Allen, Educational Director of the Institute, who spoke about the Institute and its results. Reuel C. B. Adams, Manager of the Credit Department of the National Commercial Bank, gave an illustrated lecture on "Credit and a Credit Department" of a bank.

The election of officers resulted in the choice for President of Godfrey J. Smith, National Commercial Bank; First Vice-President, Frank H. Williams, Albany City Savings Institution; Second Vice-President, Rollin S. Polk, National State Bank, Troy; Treasurer, Alfred L. Taylor, National Savings Bank; Secretary, J. Raymond Roos, National Commercial Bank. The following members of the Board of Governors were elected for one year: George Wilkinson, First National Bank, Amsterdam; Frank Sheary, Manufacturers National Bank of Troy. For two years: John C. O'Byrne, First National Bank; Edward Corrie, of the New York State National Bank. For three years: Mills Ten Eyck and Clifford Beckett, of the First National Bank.

The members of Albany Chapter would like to ex-

press their appreciation to the officers and various committees who have so successfully piloted the Chapter through one of the best year's work. Much credit is due to former President Rockwell and former Secretary Taylor, whose untiring efforts in behalf of the Chapter have greatly aided in placing Albany Chapter on a high standing.

ATLANTA.

BY JULIAN CLAYTON.

On May 4th we had with us a gentleman who is perhaps better fitted to talk on his subject than almost anyone we could have secured for the evening, J. K. McDonald, Trust Officer of the Trust Company of Georgia, this city. Mr. McDonald's subject was "Trust Companies." He went thoroughly into the functions and operations of trust companies in a way that made the various intricate details clear to those who were so fortunate as to be present. His talk was most interesting and instructive. Mr. McDonald during his long service as National Bank Examiner made many friends. He has always seemed to interest himself in us young fellows, and we all appreciate him and hold him in high regard. It will always give Atlanta Chapter pleasure to have him address its members and to be benefited by his kindly interest, good influence and information given us from the storehouse of his broad experience.

On May 25th we held our annual election of officers. Those elected were elected by unanimous vote, and we consider ourselves most fortunate in announcing them as follows: President, Charles C. Carter, of Lowry National Bank; Vice-President, J. W. Speas, of Continental Trust Company; Treasurer, J. A. Bankston, of Atlanta National Bank; Secretary, T. I. Miller, of Central Bank & Trust Corporation.

We feel that with the efficient service which will be rendered by the above-named gentlemen, together with the co-operation of the officers and committees who have served during the past year, the work of Atlanta Chapter for the ensuing year will be resultant of much good.

We are looking forward to a big time on June 3d, when we will have a real Georgia barbecue at Pickards' Park, Union City, Ga. We anticipate reveling in the delectable viands such as barbecued lamb and pig, and more especially the epicurean delight of Brunswick stew. Smack your lips over that, and remember the usual entres anent the Georgia barbecue.

In addition to feasts gastronomic, there will also be some swimming, a little baseball and quite a bit of dancing. Maybe that doesn't listen good.

After recovering from the effects of the barbecue we expect to set in with all our energy on that review. Our class will go over the entire year's work with a hope to equip ourselves with material enough to withstand the onslaught of an examination. Here's hoping.

BALTIMORE.

BY THEODORE C. THOMAS.

The Chapter year closed on April 29th with the final examination in the Banking Class. Twenty-five of our men passed the examination, which was conducted by Dr. N. R. Whitney. The members receiving the highest marks were: Henry E. Spamer, of Hinkley, Spamer

& Hiskey, 100; Lewis Kurtz, of D. Fahnestock & Co., and Thomas L. Hayleck, of the United States Sub-Treasury, tied with 98; Benjamin H. Heath, of the Title Guarantee & Trust Co., and C. Leland Getz, of Robert Garrett & Sons, tied with 96. The prizes will be distributed by Waldo Newcomer, President of the National Exchange, as follows: First, \$25; second, \$15; third, \$10. The following members, in addition to those named above, passed the examination: W. N. Wilhide, J. Harry Rigger, Frederick O. Scherf, M. H. Courtney, Jr., Edgar L. Heaver, Richard T. Brady, James H. Dorsey, F. H. Long, W. G. Read Mullan, Francis B. Weems, Campbell S. Sterling, George F. Smith, W. Melvin Jett, John Byerly, Wm. N. Bartels, Godfrey Herder, Oliver C. White, C. C. De Rosa, Oscar A. Bartell, Jr., F. D. Bertram.

The educational work of the Chapter was most gratifying and much credit is due the committee for its endeavor to make this the most successful season of Baltimore Chapter. A new feature in educational work was started last Fall in having two evenings a week devoted to the various classes. The work of the different classes included courses in Practical Banking, Public Speaking and English Grammar. Included in the Banking Class was a study of the new Federal Reserve Act and of our Foreign Trade. The final result of the Public Speaking Class was shown in our victory over Philadelphia in our annual debate—a credit indeed to the work of our instructor, Robert N. Hickman. The class in English Grammar, which was started late in the year, deserves commendation, even though not so well attended. It was a big step in the right direction of teaching our members how to speak the English language correctly.

Definite plans are in hand regarding the annual excursion of the Chapter. We go this year to Annapolis, the quaint old capital of the State. Our Chairman, Gwynn Crowther, has evidently left nothing undone to make this excursion the best yet. After a short stay in Annapolis we will visit some of our battleships anchored near Annapolis. A sail down the bay and return will put us back in dear old Baltimore about 11 p. m. The committee has arranged several interesting features for the entertainment of the excursionists. Lunch boxes will be distributed, souvenirs will be handed out, and an orchestra will furnish the music for dancing.

G. Harry Barnes, a Chapter member of long standing and Cashier of the National Bank of Commerce, has recently been elected a Director of that institution.

The last meeting of the retiring Board of Governors was held on May 13th. The Board, in recognition of the faithful services of the retiring President, Albert N. Smith, presented him with a very timely remembrance. The success of the work this year in our Chapter was in no small degree due to Albert's untiring efforts to make the Chapter "go." We regret to have him relinquish his position, but we are sure that his interest in Chapter work will not wane. The election of the new officers took place on June 10th. Our delegates to the convention in San Francisco were also elected at that meeting.

The advent of our "Chapter News" was a decided success. The editors of this sheet deserve much commendation and credit for the manner in which they have so efficiently handled its publication.

With the final examinations out of the way and the

excursion right at hand, our members are now looking toward the Summer vacations with longing eyes. But with the slowing down of activities for the Summer we should not neglect the important item of continuing, in a small way at least, to study our profession while at play.

On May 25th the biggest Chapter dividend of the year was declared. Albert N. Smith, our most capable and deservedly popular President, was elected Vice-President and head of the banking department of the Title Guarantee & Trust Company of this city. All of our Chapter members are delighted that our leader for the past year has been so highly honored, and we wish him every success in his new position. Mr. Smith began his banking career with the Merchants National Bank, and by steady application to the various successive positions that he held had been advanced to the position of Receiving Teller, which position he retained after the consolidation several years ago of the Merchants National and the Mechanics National Bank into the Merchants-Mechanics National Bank.

BOSTON.

BY LEO WILLIAM HUEGLE.

Under the guidance of President Frank W. Bryant the most successful year of Boston Chapter has just ended. The educational work has excelled by far any previous year both in quality and quantity, and our "Chapter Nights" have been up to the usual standard.

Two hundred and forty men enrolled in the Law Course (with an average attendance of 90 at the 20 lectures), 130 in the Business English Course and 80 in the Stock Transfer Course, which indicates the interest shown by our men in these subjects. In addition, several lectures on practical banking, covering the different departments of the bank, were enjoyed by some of our younger members. Of the 114 men who qualified by attendance at the law lectures, 65 took the examination, 62 passing successfully. As 31 of these had previously passed the banking and finance examinations, they have therefore reached the coveted goal by becoming graduates of the A. I. B. This makes a grand total of 96 graduates and forty "one-credit" men, a very fine record considering that Boston Chapter has been in existence only six years.

Our annual meeting, preceded by a dinner, took place at the Boston City Club on the evening of May 12th. Retiring President Frank W. Bryant, who presided, review the accomplishments of the past year, of which he should justly feel proud, and thanked the officials of the banks, the men of the Chapter and the committees for their earnest support during his administration. The press received their share of commendation for the extensive publicity given Boston Chapter during the past year. This publicity was the result of the untiring efforts of George S. F. Bartlett, Chairman of the Publicity Committee. The winners of the prizes offered by Benjamin Joy, Cashier of the National Shawmut Bank, for the three best essays on any one of the five subjects selected by the Educational Committee, received their rewards of \$50, \$25 and \$10 respectively.

The first prize was won by P. Vernon Ingalls, Appleton National Bank, Lowell, Mass. Subject: "How Can a Man Best Utilize His Time Outside of Regular Working Hours?"

Second prize, Philip E. Bessom, Manufacturers National Bank, Lynn, Mass. Subject: "Value of Bank Advertising."

Third prize, John Coulson, Jr., Old Colony Trust Company. Subject: "Efficiency Methods for Banking."

Honorable mention, Arthur O. Yeames, Suffolk Savings Bank, Boston. Subject: "Value of A. I. B. Educational Courses to Bank Men and to Banks."

Paul H. Hartford, of the Union National Bank, Lowell, Mass., was presented the Burroughs Cup for his victory in the adding machine contest held on April 23d.

The following officers were elected for the ensuing year: President, Robert B. Locke, Old Colony Trust Company; First Vice-President, John W. Marno, National Union Bank; Second Vice-President, Clarence A. Rathbone, Merchants National Bank; Secretary-Treasurer, Charles W. Stevens, Old Colony Trust Company. Board of Governors for three years, Walter B. Davis, National Shawmut Bank; Earle P. Perkins, Federal Reserve Bank; Edward B. Staples, First National Bank; Robert W. Coburn, Commonwealth Trust Company; William T. Salter, Merchants National Bank.

Mr. Locke's first official act after being escorted to the chair was to present to Mr. Bryant a silver gavel, the gift of the Chapter. A rising vote of thanks was extended to Mr. Bryant for his unceasing efforts in behalf of our cause.

After the meeting an exceptionally interesting and instructive illustrated lecture, "Around the World in Eighty Minutes," was given by Ira F. Harris, Cashier of the Indian Head National Bank, Nashua, N. H.

BUFFALO.

BY GODFREY F. BERGER, JR.

On Saturday evening, May 15th, the annual banquet of Buffalo Chapter was held in the banquet hall of the Statler Hotel. President Harry G. Hoffman presided as toastmaster. A highly satisfactory menu was served at 6.30, accompanied by a well-known colored orchestra, said orchestra succeeding to perfection in serving us with "music at our meals."

Immediately after the dinner the toastmaster opened the program with a short address, thanking the banks for past support and the very recent financial aid so generously extended the Chapter, enabling it to extend its work greatly. Mr. Hoffman also outlined the work which has been done by the Chapter during the past year and concluded with promises for greater achievements during the coming year.

James H. Perkins, Vice-President of the National City Bank, New York City, was our next speaker. His subject was one of great interest, "South American Trade and Dollar Credits."

Dr. J. Thornton Bamsdell was our humorist of the evening, and the laughter which greeted almost every sally the speaker made soon put his hearers in a very pleasant mood.

Dr. Carlos C. Alden, popularly known as "Dean" Alden, of the Buffalo Law School, next addressed us. His subject was "Uniformity in Banking and Commercial Law." As a member of the committee to draw up the uniform Bill of Lading Laws and other unfamiliar laws which are rapidly going into effect, Dr. Alden was well qualified to give his interesting and instructive address.

Music was next on the program, and John Valentine, one of the well-known tenor soloists of Buffalo, rendered several solos. The fact that there were several instead of the one on the program is in itself a statement of the approval of his audience.

William S. Evans, the National President of the Institute, then addressed us, his subject being "The Institute." Mr. Evans outlined the aims of the Institute and its members. To the Institute men present it provided stimulus to renewed efforts, and to those who were not Institute men the wish to become members.

About 40 bank officers attended, every bank in Buffalo being represented, as well as most of the banks in the surrounding towns. Two Chapter presidents were to be guests. Harry L. Egerton, President of Rochester Chapter, was present, but W. A. Boyd, President of Syracuse Chapter, was unable to attend. His telegram expressing regret of his inability to be present and congratulating Buffalo Chapter on the achievements during the past year was read at the opening of the program by President Hoffman.

From remarks made to the officers of the Chapter, the banquet was a distinct success. To President Hoffman belongs most of the credit, to be shared in part by the other officers of the Chapter.

On May 18th the annual election of officers was held. The following were elected: President, Henry H. Halm, Jr.; Vice-President, Godfrey F. Berger, Jr.; Secretary, Lawrence Gesser; Treasurer, Gordon Cleversley; Librarian, Warren Anderson. Executive Committee, Harry G. Hoffman, James Rattray, William B. Frye, August Hasselbauer.

To the new administration the retiring officers wish success and offer their hearty co-operation.

On May 22d 25 men tried the banking and finance examination. Returns from these examination are not yet on file, so that the best can only be hoped for. Seven of the members upon passing this examination will receive the Institute certificate of graduation.

The most successful year of the Buffalo Chapter is now ended. Announcements of the opening next Fall and of the program for the year 1915-1916 will be made at a later date.

CHATTANOOGA.

BY CHARLES W. TOMLINSON.

Chattanooga Chapter closed the year's work with a rousing business meeting and election Thursday evening May 20th, at the Manufacturers Association rooms, with a large percentage of its membership in attendance.

The following officers were elected for the ensuing year: President, Albert W. Taber; Vice-President, Harold B. Shelton; Secretary, C. W. Tomlinson; Treasurer, George T. Karstaedt; Board of Governors, J. V. Holdam, J. H. McDowell, Carl G. Smith, D. B. Harris, E. B. Shadden and J. E. Harris.

T. R. Durham, Frank J. Donovan and John W. Evans were selected delegates to the national convention at San Francisco in August.

This Chapter enjoyed one of its most successful years, and although it sidestepped the regular Institute Course and probably loses a credit thereby, feels that it has done itself a great good by the change.

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

We had four well-attended courses delivered by three prominent attorneys, who are members of the faculty of the Chattanooga College of Law. The first course, consisting of six lectures on "Constitutional Law," by the Hon. W. B. Swaney, was to a class averaging about 40. D. H. Bloom delivered the second series on "Law of Real Property," which was very interesting and well received. Prof. Will McClure delivered the third series on "Wills and Administration," and this was especially interesting to those connected with the trust departments. Mr. Swaney was called back to give the fourth, a short series on "Private Corporations." Major Evans gave two very interesting lectures to packed audiences on "Shakespeare" and "Napoleon."

The Educational Committee feels that this series of lectures was extremely beneficial to every member who attended and that the National Educational Director should allow a credit on it.

The Debating Class, which was the first in local Chapter history, also had a successful year, staging five local debates and the annual encounter with Nashville Chapter.

The Bowling League closed with the First National Bank team as trophy winner.

The newly elected officers are now working out plans for next year, and prospects were never better. The membership now stands at 108, the largest it has ever been.

CHICAGO.

BY GUY W. COOKE.

The last meeting of the year, May 25th, offered a widely diversified program. The annual election, from 4 in the afternoon until the opening of the regular meeting at 8, except for some strenuous work upon the part of a few candidates for delegate to the national convention, was a rather tame affair in comparison with some of the spirited contests of former years. The result follows: President, Joseph J. Schroeder; Vice-President, John H. Grier; Corresponding Secretary, C. A. Peterson; Financial Secretary, Robert F. Kirchoff; Treasurer, John M. Drummond; Directors, Bruce Baird, three-year term; C. A. Edmonds, one-year term.

The 25 candidates for delegate were, of course, elected, as the Chapter is entitled to 46. They are: Jay W. Hays, Arthur H. Jacks, Arthur N. Root, Central Trust Company; L. F. Chapman, George E. Holmes, F. H. Raddatz, Clarence A. Robb, Erwin J. Schoenwald, Continental & Commercial National Bank; Alfred R. Bennett, Corn Exchange National Bank; Guy Wickes Cooke, William H. Monroe, Thomas J. Nugent, Harvey Pickrell, First National Bank; Norman B. Collins, First Trust & Savings Bank; Philip P. Larson, Edwin C. Tubbs, Fort Dearborn National Bank; George C. Cory, Illinois Trust & Savings Bank; D. R. Kendall, Live Stock Exchange National Bank; Harold W. Held, Fred D. Letz, Merchants Loan & Trust Company; William H. Miller, Charles F. Jarmuth, Jr., National City Bank; Raleigh Ross, Northern Trust Company; Frank W. Hausmann, Northwest State Bank; Rollin M. Coleman, Union Trust Company. Mr. Drummond won the office of Treasurer in the only real fight of the day, getting a majority of three votes out of 517 ballots cast.

Reports of retiring officers and committee chairmen were interspersed with vaudeville and musical numbers; also the reading of election returns. If noise and enthusiasm are any indication of a good time, certainly the year wound up to the satisfaction of everybody.

CINCINNATI.

BY WILLIAM BEISER.

Evidence of the deep interest in Cincinnati Chapter by its members was had in the large vote which was cast at the annual election on May 18th. The results were very close. The "Red Ticket" was victorious, it being successful in electing five out of its nine candidates. The successful candidates are as follows: President, Louis C. George, Fifth-Third National Bank; Vice-President, H. A. Green, Central Trust & Safe Deposit Company; Secretary, Omer Clark, Fifth-Third National Bank; Treasurer, William F. Kolb, Home Savings Bank. Board of Governors: J. Ed. Sohn, Jr., German National Bank; J. C. Hogan, Second National Bank; Ed. Linnemann, Western German Savings Bank, Covington, Ky.; Howard Y. Lissenden, German National Bank; H. H. Selmeier, Field, Richards & Co.

While some new names are contained in this list, all of the successful candidates have shown on many occasions their deep interest in the work of the organization. Having a very good foundation of a successful year on which to base their efforts, there is no doubt that the Chapter will make desirable progress during their administration.

Fred Benz, of the Fifth-Third National Bank (a new member), proved to be a speed marvel in the adding machine contest. His time for correctly listing 200 checks was 3 minutes and 25 seconds. Mr. Biro, of the Fourth National Bank, was second, with 3 minutes and 30 seconds, and Mr. Herr, of the Western German Bank, was third, with 3 minutes and 41 seconds. J. H. Kampe, of the City Hall Bank, who on a previous occasion was the year's champion in mental addition, gained that honor again. Mr. Huesing, of the Market National Bank, was second, and Mr. Reuter, of the Second National Bank, was third.

CLEVELAND.

BY H. W. HERRICK.

One of the most interesting meetings of the year in Cleveland Chapter was held May 11th, when the Class in Public Speaking staged a very instructive debate on the question "Resolved, That State banks shall enter the Federal Reserve system." The affirmative side was upheld by Messrs. Cherry, of the Guardian; Everson, of the Citizens, and Morrow, of the State Banking & Trust Company. The negative by Messrs. Wadsworth, of the State Bank; Archer, of the Guardian, and Spencer, of the Society for Savings. The former asserted that State banks should join because fundamentally the Federal Reserve system is right and corrects the commonly admitted defects of the old National bank system; also the system will not be complete without the co-operation of the State banks. Under the Federal Reserve Act we have central controlling power; we shall also have centralized reserves.

They argued further that the resources, and therefore the usefulness, of the system would be greatly increased by the State banks becoming members. Their present laws will be amended by the Federal Reserve laws and, in addition to the business they already have, they will have power to discount paper. The banks will gain greater popularity and increased business by reason of the advertising effect of being members of the Federal Reserve system. They will gain increased confidence among the people because of Federal supervision. Their resources will be increased and their standing among investors and depositors raised by being depositories of Government funds. Under the Act National banks have power to act in fiduciary capacities. In order for State banks to retain the confidence of the people and compete with the National banks in these profitable lines as trustees, transfer agents, registrars of stock, administrators and executors of estates, it is absolutely necessary for them to join the Federal Reserve system. The State banks will be benefited because a smaller amount of reserves than is required under the present law will be required under the Federal Reserve Act. In times of stress or panic commercial paper, rediscounted by the Federal Reserve Bank for a member bank, can be reissued in the form of Federal Reserve currency. Member banks will derive great advantage in the clearance of checks on other member banks at par as required in the Act. The Federal Reserve Act will eventually do away with independent treasuries, and the money deposited in member banks of the Federal Reserve system. The financial and industrial condition of the country at large will be benefited by a more elastic currency, extended credit, increased prestige with foreign nations and, above all, the sincere confidence of our people.

The negative side presented many strong arguments against the State banks entering the Federal Reserve system, asserting that the rules and regulations of State banks are at present too indefinite, and as such can be easily changed from time to time. As now provided, the political party in power controls the appointment of a majority of the Federal Reserve Board, hence the danger of political control. State banks would destroy their usefulness in supplying communities, which as member banks they cannot do. They argued that State banks under localized State laws would be of greater service and enjoy greater freedom than under Federal laws, which would not be uniformly practical to all States of the Union. They maintained that State banks should not join because their loaning power would be cut in half. The efficiency of State banks would be impaired and the expenses increased by having a double examination as required, State and Federal. State banks will not be benefited by the additional function of rediscounting, they claimed, because the banks do not handle the proper paper for rediscounting; nor will they benefit by note issue and clearances, powers granted them under the Federal Reserve Act. In conclusion, the negative side argued that we should stand pat and await developments of the system; that the time is not ripe for State banks to enter the Federal Reserve system.

The judges, C. E. Farnsworth, Cashier of the First National Bank; E. B. Greene, Vice-President of the Cleveland Trust Company, and S. L. McCune, of the Maynard H. Murch Co., rendered a decision in favor of the negative side. Everyone present agreed that the

first efforts of our Class in Public Speaking and Debate had been a tremendous success. The class followed the debate with a farewell dinner on the evening of May 17th, 18 members being present, every one of whom responded to a 10-minute toast.

Clay Herrick, of Ernst & Ernst, announces his Class in Accountancy will conclude the season's work about June 10th, when final examinations will be taken by at least 40 members.

Although the delegation has not been entirely chosen, Cleveland Chapter announces the following will go as delegates to the convention at 'Frisco in August: F. W. Staffeld, of the Detroit Avenue Savings & Banking Company; W. H. Miller, of the Union National; F. B. Mellen, of the Garfield Savings; L. A. Cordrey, of the Cleveland Trust Company, and C. S. Mallo, of the Guardian Savings & Trust Company.

On the evening of May 25th the annual election and final get-together meeting for the year was held. After an entertainment, consisting of speeches, music, lunch and cigars, we received the report of the Nominating Committee on the successful candidates. The following were elected for the season 1915-16: President, A. M. Corcoran, of the Superior Savings & Trust Company; Vice-President, Carl A. Palmer, of the First National; Recording Secretary, F. A. Hawk, of the Garfield Savings; Financial Secretary, F. P. Weber, of the Bank of Commerce; Treasurer, L. J. Hajek, of the Woodland Avenue Savings; Chief Consul, H. D. Cozad, of the Garfield Savings Bank. The following were elected to the Board of Governors for a term of two years: J. S. Wadsworth, of the State Bank; Charles Piwonka, of the Broadway Savings; George A. Emerson, of the Citizens; W. A. Bennett, of the National City Bank; W. T. Bissell, of the First National, and Elmer Guentzler, of the Guardian Savings & Trust Company.

DALLAS.

BY W. J. EVANS.

The Beckley Campaign Committee has now been thoroughly organized and a vigorous campaign of correspondence has been launched by the various sub-committees, comprising the entire membership of Dallas Chapter, numbering more than 200 men. In undertaking the election of Mr. Beckley to the Executive Committee Dallas Chapter fully realizes the necessity of strictly observing the advice contained in the old adage, "Be sure you are right, and then go ahead." A conscientious weighing of both the needs of the Southwest and the proprieties of the situation, including the fitness and availability of our candidate, gave us the firm conviction that we were "right," and as for the rest of it, we believe we can say, without doing violence to our modesty, that the "Dallas spirit" makes a specialty of "going ahead." That our hopes will be amply vindicated is attested by the volume and character of the responses which are steadily pouring in from all sections of the country expressing encouragement and positive promises of active support.

Chapters throughout the Southwest have indicated that they will give our candidate their solid and aggressive backing. The claims of this section for representation on the Executive Council have met with favor in

other quarters for two reasons: First, we have never before asked the national organization for any kind of office. Second, the very purpose for which the Institute was organized, namely, the extension of specialized banking education to every American community, demands that the increasing needs and continued development of this work in the vast and undeveloped territory of the

are alive and capable of doing so. They are already drafting plans for a number of live and interesting debates for the ensuing year, which we are positive will bring out the usual large crowd.

The Educational Class will come to a close within two weeks, after a successful season. Out of the class of 25 members 12 will take examinations for certificates.

The second annual dance took place in April and a very enjoyable evening was had by about 50 couples that were present.



STEWART D. BECKLEY.

Southwest (an area larger than the German Empire) be conserved by placing this territory under the personal and special supervision of an official of the Institute. We believe that Mr. Beckley is peculiarly fitted for this important mission, and that our belief is well founded is proven convincingly by the fact that up to this time our campaign has elicited from other sections of the country a unanimous concurrence of opinion.

DAYTON.

BY L. F. WAITZMAN.

Dayton Chapter held its regular monthly meeting on Wednesday evening, May 19th, which marked the closing of the official year. Due respect was paid to the retiring officers and a glad hand greeted the newly elected. Lon M. Holler, of the Fourth National Bank, and Jesse Blackmere, of the Germania Building Association, were elected by acclamation for President and Vice-President, respectively, while William Hughes, of the Dayton National Bank, was chosen Secretary; Fred Hinkson, of the Fourth National Bank, Treasurer, and Joseph H. Bade, of the Market Savings Bank, member Board of Governors.

The retiring President, F. W. Hecht, gave a short talk on things accomplished in the past year. Lon Holler gave a live inaugural speech, in which he thanked his fellow members for the honor that they bestowed upon him and told of things proposed for the coming year. The new administration promises to make things hum during their term of office, and we all know that they

are alive and capable of doing so. They are already drafting plans for a number of live and interesting debates for the ensuing year, which we are positive will bring out the usual large crowd.

DENVER.

BY MARSDON E. WESTON.

At the annual election of Denver Chapter, held in the clubrooms in the Chamber of Commerce building May 12th, the following officers were elected: President, Sever Daley; Vice-President, Chester A. Parker; Recording Secretary, G. F. Foley; Financial Secretary, Walter S. Larson; Treasurer, E. N. Clark; member of the Executive Council of the Colorado Bakers Association, R. M. Crane.

The following delegates were elected to represent Denver Chapter at the annual convention to be held in San Francisco: William O. Bird, Chester A. Parker, Sever Daley, R. C. Perkins, Stanley M. Wright, W. H. Martin and Charles R. Patch.

The by-laws of Denver Chapter have been amended so that bank officers and directors are now eligible to active membership. This seems to be a distinct advantage to the Chapter, for we have a number of members in this class who have been actively interested in Chapter work and who, if allowed to serve the Chapter in an official capacity, would be in a position to render greater assistance.

In previous reports mention has been made of the special meetings which our officers have held in the various banks at the close of the day's business to discuss the work of the Institute. The officers of the Chapter met with flattering success, as they succeeded in greatly stimulating the interest of the young men in the banks. This attracted the attention of many bank officers, who have recognized with keen interest the great importance of the educational work which Denver Chapter is carrying on, and as a direct result of this successful campaign the Denver Clearing House Association has adopted a resolution to contribute to the Chapter the sum of \$666 annually for the purpose of carrying on its work. This news was received by our members at the last meeting with great delight, evincing full appreciation of this act, which in no uncertain terms indicates the great loyalty the Denver bankers have for the members of Denver Chapter, as well as the confidence they have reposed in the young men who are guarding their great interests.

This splendid contribution removes all uncertainty about the educational work that we are working so hard to improve, and it enables us to permanently establish an institution of learning in banking subjects that will be recognized by men in bank circles as being the very best available.

What is styled the First Annual Theater Party has just been held at the Denham Theater under the auspices of Denver Chapter, A. I. B. The play, "The Deep Purple," was presented by the Denham stock company.

It was very largely attended by members of Denver Chapter and their friends and was a very pleasant occasion and netted a very nice profit to the Chapter. The management of the theater, in consideration of the active support of the Chapter, for this particular evening allowed a division in the cash profits on the house. We congratulate Chairman H. L. Williamson and his committee on the splendid result.

Chairman George A. Brown has announced June 10th as the date of the annual banquet, and we are looking for a record-breaking attendance on this occasion. It is very hard to conceive how a more attractive program could be arranged. James H. Causey, Vice-President of the bond house, Sweet, Causey, Foster & Co., will be toastmaster. Governor George A. Carlson will discuss States' responsibilities. Jerome Thralls, Cashier of the Federal Reserve Bank, District No. 10, will deliver an address on some features of the Reserve Bank for District 10, and Bishop F. J. McConnell, of the Methodist Church, will discuss the investment outlook in Old Mexico. Special music will be provided and a novel feature will be a number of readings by some well-known humorist.

We are delighted to announce the well-earned promotion of B. F. Bates, of the Denver National Bank, to the office of Assistant Cashier.

HARTFORD.

BY CLARENCE T. HUBBARD.

It was a snappy annual election meeting that took place in our Chapter rooms on May 18th. Following is the "personnel" elected for the new administration: President, Wilbur F. Lawson, First National Bank; Vice-President, Calvin C. Bolles, State Bank & Trust Company; Secretary, Clarence T. Hubbard, Security Trust Company; Treasurer, Victor I. Neilson, Riverside Trust Company. All responded with speeches, including our retiring President, George F. Kane, of the Society for Savings, who was warmly applauded for his modest words. Ex-President Kane certainly kept the Chapter radio-active throughout the year with his untiring efforts. In accordance with the term expirations three new members were elected to the Board of Governors: George F. Kane, Society for Savings; Harold C. Alvord, Manchester Trust Company, and Earl W. Outtrim, Hartford National Bank. President-elect Wilbur F. Lawson was elected delegate-at-large to the National convention with power to appoint other delegates and alternates.

Immediately after the election and installation of officers the meeting was transformed into a whist party. It was a jolly crowd that "made up" the tables, alternating the manipulation of the pasteboards with many Peter Schuyler puffs that soon filled up the room. Someone found his way to the piano keyboard, and the combination punch bowl which the refreshment table supported was not by any means lonesome. Three whist prizes were offered and captured as follows: William C. Goeben, one of our past-Presidents, took first prize, a dainty "stick-pin." Dexter Phelps (Dime Savings Bank) surprised his wife by coming home with a "regular tie-clip," while George F. Kane, not satisfied with all the honors bestowed on him, carried away a dapper silk tie. So all in all we had a mighty pleasant evening, only to be continued "in our next" in the Fall.

The crowning feature of the evening was the announcement from Arthur D. Johnson (Phoenix National Bank), Chairman of the Education Committee, who reported the names of 19 men as having passed the final banking examination. The Law Course will follow next year, and at the close certificates will be awarded.

"Chapter Topics" has suspended publication until September, when it will again make its appearance under the direction of Editor Calvin C. Bolles. Incidentally, the contributing staff will have an opportunity to study the English Course.

Hartford Chapter has a very promising future under the direction of Wilbur F. Lawson. President Lawson is already at work on plans for further developing the educational work of the Chapter, and the members can rest assured the social part will not be overlooked as long as Calvin C. Bolles holds an office. With 240 active members, a popular President supported by a Board of Governors made up of experienced men, and a "live" Board of Consuls, Hartford Chapter is equipped to accomplish big things—and will.

KANSAS CITY.

BY F. D. SAGE.

Kansas City Chapter has just closed the most successful year in its history. It has been said that the standard by which the Chapter should be judged in marking its success or failure is the number of graduates it produces at the end of the year. While we have only added nine to our list of graduates this year, there were 17 who took the examination in the Banking Course and passed. In spite of this argument and the above figures, I still maintain that Kansas City Chapter has enjoyed a most successful year. The reason for the larger number taking the examination in Banking is because last year we offered the course in Law and this year the course in Banking, and a number who passed the examinations in Law last year, for various reasons, were not able to take the course this year.

Our annual banquet and election of officers was held April 27th at the City Club. This proved to be a very enjoyable affair with an attendance of over 100. After hearing the reports of the officers we listened to a talk by Rev. Chasteen Smith, Pastor of the Howard Memorial Church. His subject was "The Use We Make of the Margin of Our Time," and I am sure that every person who heard it received some instructions whereby they will be able to make better use of their spare moments.

The following officers were elected for next year: President, C. H. Cheney, First National Bank; Vice-President, F. D. Sage, Traders National Bank; Secretary, F. W. Wilson, Fidelity State Bank, Kansas City, Kan.; Treasurer, George Gillman, Kansas City Bank, Kansas City, Kan.

It is pleasing to note the recognition which has been accorded a number of our Chapter men during the past year. The success of the past year has been largely due to the earnest and untiring efforts of our President, H. L. Larson. He was "on the job" at all times and missed attending only two meetings during the entire year. In being elected Assistant Cashier of the Commercial National Bank of Kansas City, Kan., he has received a merited reward. Charles W. Watson, formerly National Bank Examiner, and an active Chapter man for a num-

ber of years, has been elected Manager of the Kansas City Clearing House Association and will also have charge of the clearing house examinations.

Early in the year Jerome Thralls was chosen Cashier and Secretary of the Federal Reserve Bank for this district. "Jerry" was a member of the "fellows" class during the existence of that body and has always been an active and loyal Chapter man. It is rumored that he has had several attractive offers to go East. We hope he will turn them down, as he is a most loyal Kansas Citian and believes that Kansas City is really the coming metropolis—a fact which we of Missouri admit. We certainly would hate to lose one who has done so much to put Kansas City on the map in banking circles. If you don't believe we are there, just watch the clearings each week.

Another member of the "Fellows Club" and long an active worker in Institute affairs, both local and national, is C. W. Allendoerfer, Assistant Cashier of the First National Bank. He was honored by being chosen a member of the Board of Regents.

Already we are looking forward to the coming convention in August, and are planning entertainment for the delegates who stop here on their way to San Francisco. We are unable to announce any definite plans owing to the uncertainty of the number who will reach here on the A. I. B. Special, but we can assure you of a glimpse of our city and boulevards which you will long remember—even while passing through the wonderful drives of Yellowstone National Park.

LOS ANGELES.

BY E. G. McWILLIAM.

Another open meeting of Los Angeles Chapter was held on Thursday evening, May 20th, in the assembly room of the German-American Trust & Savings Bank.

The interest of our members, as evidenced by the good attendance at this, the last meeting of the season, is most encouraging and augurs well for the opening of our educational work next Fall.

The speaker of the evening at this meeting was Arthur W. Kinney, Industrial Commissioner of the Los Angeles Chamber of Commerce, who took as his topic, "The Making of an Industrial City." Mr. Kinney pointed out that Los Angeles' most pressing problem at this time is the establishment of labor-employing industries which will give employment to the wage-earners of the rapidly increasing population of this city, and stated that Los Angeles offers the seven essentials to successful manufacturing, namely: 1. Ideal climatic conditions. 2. Cheap power and fuel. 3. Abundant raw materials. 4. Ideal markets. 5. Ideal water and rail transportation facilities. 6. Abundant and efficient labor. 7. Ideal living conditions.

Mr. Kinney stated that conditions were especially ripe for the establishment of cotton mills, woolen mills, glass factories, shoe factories and furniture factories, in addition to our present industries, which include the largest production of petroleum and machinery for producing same in the United States, the production of olive oil, fish packing establishments, the manufacture of electrical heating apparatus, and the motion picture industry, which employs some 12,000 people in this vicinity.

Mr. Kinney pointed out that the wealth and sta-

bility of any community depended upon its industries, and called especial attention to the truth of the slogan adopted by the Chamber of Commerce of Los Angeles, "Where Nature Helps Industry Most."

One hundred and forty new industries were opened in this city in 1914, and 72 in the first four months of 1915.

At the conclusion of Mr. Kinney's remarks an election was held for delegates to represent Los Angeles Chapter at the San Francisco convention, which resulted in the election of Fred C. Bold, Farmers & Merchants National Bank; F. A. Ruenitz, Farmers' & Merchants National Bank; L. W. Eley, First National Bank; Charles A. Morey, Commercial National Bank; E. G. McWilliam, Security Trust & Savings Bank; Burnham R. Creer, Security Trust & Savings Bank; W. W. Gibbs, German-American Trust & Savings Bank; Coleman Young, German-American Trust & Savings Bank; George Carlisle, German-American Trust & Savings Bank; E. H. Hallenbeck, German-American Trust & Savings Bank.

The committee appointed to prepare entertainment for the delegates to the San Francisco convention, who will visit Los Angeles en route, on Sunday, August 15th, is hard at work but as yet is not in a position to divulge any of its plans. This committee is composed of R. B. Hardacre, Assistant Cashier Security Trust & Savings Bank, Chairman; Geo. S. Pickrell, Assistant Cashier National Bank of California; J. H. Ramboz, Cashier Merchants National Bank; George E. Green, First National Bank; Fred C. Bold, Farmers & Merchants National Bank; and these names are assurance that the committee's work will be well done, and that the visiting delegates will depart feeling that it was worth while for them to pay us a visit.

The Educational Committee is communicating with a number of other Chapters and seeking advice, the result of experience, in conducting educational work among Chapters of approximately our size, and with the replies received as a guide are proceeding to lay out our educational program, which it is hoped to have in the hands of all bank men of the city well before the opening of the Fall season.

LOUISVILLE.

BY JOHN J. WICKSTEAD.

Coleman S. Simpson, of the National Bank of Kentucky, was elected President of Louisville Chapter at the annual election held in the Chapter rooms the evening of May 13. H. L. Earley, of the Southern National Bank, was named Vice-President, with A. B. Frese, of the German Security Bank, Secretary, and Walter L. Borgerding, of the National Bank of Kentucky, Treasurer.

The Executive Committee is composed of the following: Joseph H. Mershon, W. C. Borgerding and Thomas Green. Embry L. Myers was chosen Chairman of the Membership Committee, with John J. Wickstead as the new Chairman of the Publicity Committee, and Henry J. Treitz as Chairman of the Entertainment Committee for next year.

The following will be delegates to the convention at San Francisco this Summer: Joseph H. Mershon, Union National Bank; Eugene W. Walker, National Bank of Kentucky, and Stanley P. McGee, Fidelity & Columbia Trust Co.

MINNEAPOLIS.

BY S. J. FITZSIMMONS.

Our educational program for the season 1914-1915 has come to a close, the most successful one in the history of the Chapter. The opportunities for the study of subjects relating to banking and finance which were offered to members this year were greater than ever before, and a great many took advantage of them. At the time of writing this, the last week in May, the examinations were taking place and only a few failed to appear for them, so that we will have a big increase in our list of graduates. The report from the General Extension Division of the University of Minnesota, through which our classes are conducted, has not yet been received, so that the exact number and the standing of those who successfully completed their work is not known at this time. The tendency to take part in the study classes, the fundamental object of the Institute, has been steadily growing the past few years. There is promise that a larger percentage than ever will enroll next Fall.

In June our annual election for the season of 1915-1916 will be held. As has been the custom in the past, we are holding two nomination meetings, and the election takes place shortly after the second one at a dinner held for that purpose. This method of procedure enables men that desire to serve the Chapter in an official capacity, who did not get into the race at the first nomination meeting, to have their names presented at the second one, and then they are given time to do some electioneering before the final vote. After the victors have been elected they are formally installed in office. The President of the preceding year, remembering that when he was elected he was given a chance to say all that he wanted, sees that they become acquainted with the rank and file by allowing them to tell everybody "how much I am honored to be allowed to serve you" and "I will do my best to deserve the honor" and "I am deeply grateful for the honor you have bestowed upon me" and "I will always have the interests of the Institute at heart," etc. When this Chaptergram was written one nomination meeting had been held and the indications point to a close contest for most of the offices, particularly that of President. There is going to be a "hot fight" for places on our delegation to San Francisco, as there were 18 nominated at the first meeting. Our delegation will consist of 13.

The date decided upon for our annual banquet, the lodestone of the year, was May 25th. The exclusive Minneapolis Club was the place picked for the setting, and the Banquet Committee, composed of some of the older and more experienced "heads" of the Chapter, prepared an elaborate and entertaining program. It had been planned to hold the banquet early in May, in order that we might hear Hon. Charles S. Hamlin, Chairman of the Federal Reserve Board. Mr. Hamlin, who was on the Pacific Coast, had accepted our invitation and we were eagerly looking forward to his visit. Unfortunately, however, a few days before he was to come he telegraphed that he had been called to Washington to attend the Pan-American Conference. We were keenly disappointed that he was unable to come. The other speakers who honored us with their presence were eloquent, learned and of wide renown. They were the Governor of Minnesota, Hon. Winfield Scott Hammond,

who for so long ably represented his State in Congress, the only Democrat from a strong Republican State; President George E. Vincent, of the University of Minnesota, who was well described as follows in the Minneapolis "Journal" of May 23d: His address will be remarked "for the brilliant, witty, original, rapid-fire delivery of a man who has a fund of general knowledge that makes it possible for him to scintillate, whatever be the subject, and the assurance that twice as much enunciation as will have been employed by the other two speakers will be used in half their combined time by Dr. Vincent," and Allen D. Albert, associate editor of the Minneapolis "Tribune" and Chairman of the Minnesota Commercial and Civic Federation. The Banquet Committee was composed of President Brombach, ex-officio, First & Security National Bank; J. G. MacLean, First & Security National Bank; A. E. Lindjtem, Scandinavian-American National Bank; F. J. Mulcahy, Minnesota Loan & Trust Company; L. T. Banks, Northwestern National Bank; Edwin Phinney, Northwestern National Bank; J. A. Murphy, First & Security National Bank.

NEW ORLEANS.

BY NORBERT B. HINCKLEY.

A. Breton, Vice-President of the Canal Bank & Trust Company, recently delivered an informal talk before Tulane College of Commerce and Business Administration on "The Internal Organization of a Bank." We were extended an invitation to be present on this occasion, and as our members are always anxious to learn as much as possible about banking, etc., there was, of course, a large attendance of bank clerks. While Mr. Breton's talk was designed mostly for those who are unfamiliar with the inner workings of a bank, nevertheless it proved very interesting and helpful to all of us. The speaker took each department separately and outlined from the routine work of those serving in minor capacities to the duties of the semi-officials and those "higher up." Mr. Breton also mentioned many of the trials and tribulations which the bank clerk has to face every business day. In concluding his talk Mr. Breton laid special emphasis on the necessity of education to the bank clerk and said that he must not think it necessary only to acquire a grammar school education or to obtain a diploma from a business college, but in order to progress in his chosen field of labor he must at all times remain a learner. In the highest terms he commended the practical educational work which is being conducted by the American Institute of Banking, and said that a diploma from this institution was sufficient recommendation to secure employment anywhere, and that in his opinion, when the time came for the promotion of a clerk to an official position, the preference should be given to the holders of Institute certificates.

On the last Saturday in May the annual election of officers was held in the Chapter headquarters, and the commissioners of election announced the following as the successful candidates: Joseph J. Farrell, President, Hibernia Bank & Trust Company; Felix Lloveras, Vice-President, City Bank & Trust Company; Norbert B. Hinckley, Secretary, Hibernia Bank & Trust Company; H. B. Turcan, Treasurer, Canal Bank & Trust Company. Board of Governors: Thomas F. Ragan, Citizens

Bank; J. J. Schonekas, Jr., Canal Bank & Trust Company; Robert S. Landry, Jr., United States Safe Deposit, Coryell McKinney, New Orleans National.

In the evening at 8 o'clock our ninth annual banquet and installation of officers took place. As usual our banquet was a huge success, full membership being present, and at the close of the evening everybody was "fuller." Judge Rufus Foster was the toastmaster, and the speakers of the evening were Hon. Martin Behrman, Mayor of New Orleans; R. N. Sims, State Bank Examiner, and P. H. Saunders, Director Federal Reserve Bank, Atlanta. We were also honored on this occasion with the presence of Nicholas Callan, L. E. Bentley and Andre Lafargue, who delivered short but interesting talks. F. L. Ramos, Auditor of the Canal Bank & Trust Company, was Chairman of the Banquet Committee.

Immediately after the installation, as is customary, Mr. Farrell delivered the inaugural address. Our new President has long been prominently identified with local Chapter affairs and is well known to Institute men all over the country. Mr. Lloveras, our Vice-President, has also been very active in Institute work, having served as a member of the Board of Governors and two terms as Treasurer, and is also an Institute graduate. H. B. Turcan, Treasurer, has always been a hustler for the Institute. The new Board of Governors are men who have always worked unceasingly for the welfare of our Institute and have always been known as real "live wires."

The Banking Course, under the able direction of Harry Hardie, Trust Officer of the Commercial-Germania Trust & Savings Bank, concluded its work with the final examinations on Saturday afternoon, May 15th. Of those taking the examination six passed, five of whom will receive certificates. Those who will receive certificates are: S. S. Byrne, Whitney & Sloo Company, Ltd.; Kenner Baetjer, Hibernia Bank & Trust Company; J. E. Douglas, Whitney Central National Bank; M. G. Bernadas, Hibernia Bank & Trust Company; Ronald F. Junker, Commercial-Germania Trust & Savings Bank. New Orleans Chapter now boasts of 24 certificate holders, nine half-credits in Practical Banking and six half-credits in Commercial Law.

Nicholas Callan, a prominent young attorney and captain of Tulane University Debating Society (who made debating famous at Tulane), was our instructor. During the year we had one inter-Chapter debate and at least ten extemporaneous debates on banking and economic subjects. The meetings were well attended and the results accomplished were greatly in excess of our anticipations, having helped many of our somewhat bashful members to overcome their timidity, to sharpen their wits and to create self-confidence.

Professor Fernandez, who has been teaching us Spanish, says that he is very much pleased with the progress our boys have made, and, as they were unable to complete the course in the time allotted, the class will be continued throughout the Summer months.

The Forum devoted most of their attention to the new regulations that were gotten out by the Secretary of the Treasury in connection with the Federal Reserve Law and the different rulings that were handed down, as well as foreign exchange and the banking history of the various countries. Mr. Hecht, Trust Officer of the

Hibernia Bank & Trust Company, member of the Executive Council and Chairman of the National Educational Committee, is the leader of the Forum.

OAKLAND.

BY THEODORE JENKINS.

Oakland Chapter held its annual meeting and smoker in the Chapter rooms on Thursday evening, May 20th. The Chapter is very much alive and as a result the largest vote in its history was pulled. The officers for the coming year are: Thos. F. Watson, President; J. Ernest Smith, Vice-President; Doremus P. Scudder, Secretary and Treasurer. The Board of Governors are a body of men representing banks from all sections of the territory embraced in Oakland Chapter, and their personnel is one that should mean a most successful year for the organization. They are Paul E. Otey, L. J. Yonce, John Campe, L. R. Smith, A. J. Heald, D. H. Steet and G. K. Cunningham.

Plans are being made for the entertainment of the delegates attending the San Francisco convention for the afternoon of August 20th, and although Oakland can have the delegates for only a short time we believe our banker friends from the other parts of the country will be able to long remember Oakland Chapter.

One of our members, A. E. Caldwell, of the Oakland Bank of Savings, and past President of the Chapter, is a candidate for election on the Executive Council, and we earnestly hope that he will get the support of all delegates to the convention. He has proven himself a worthy, oh well, let the delegates get acquainted with him and there will be no question but that he will be elected.

PHILADELPHIA.

BY FRANK C. EVES.

Another year in Philadelphia Chapter was brought to a close Friday evening, May 7, 1915, when about 600 of our members attended the annual election and smoker held at the Hotel Walton. The program consisted of a vaudeville entertainment, after which refreshments were served. An effort was made at this meeting to promote more sociability among our members, and everyone present joined in the spirit of the occasion.

An interesting feature of the evening was the presentation on behalf of the members of the Chapter of a beautiful watch to Eugene J. Morris in recognition of 14 years faithful, efficient service on our Board of Governors. Mr. Morris has unselfishly given of his time and energy and has set an example for devotion to Chapter work of which we may all be proud.

Five members were elected to serve on the Board of Governors for a term of three years as follows: William W. Allen, Jr., Philadelphia National Bank; Carl H. Chaffee, First National Bank; Carl W. Fenninger, Provident Life & Trust Co.; William A. McCamy, Fourth Street National Bank; E. Henry Thurman, Ninth National Bank.

Those elected delegates to the annual convention of the American Institute of Banking to be held at San Francisco were: R. C. Alexander, Wm. W. Allen, Jr., H. C. Antrim, T. W. Astbury, Jr., M. E. Benton, J. B. Borden, Wm. A. Carty, Carl H. Chaffee, Armit H.

Coate, Arthur R. Elmer, William S. Evans, Frank C. Eves, Anthony G. Felix, Carl W. Fenninger, Robert U. Frey, Chas. C. Gamble, S. E. Guggenheim, Henry J. Haas, Normay T. Hayes, Martin Lee, Jordan Mathews, E. Wallace Miller, Eugene J. Morris, David J. Myers, William A. Nickert, John R. Roberts, J. Ralph Satterthwait, W. Scattergood, Henry F. Schwarz, C. F. Shaw, Jr., Harold B. Shill, Thomas W. Smith, J. G. Sanneborn, William L. Stroud, J. C. Torrey, John C. Wallace, O. Stuart White, Edmund Williams.

At a meeting of the Board of Governors held May 18, 1915, the following officers were elected: President, Carl H. Chaffee, First National Bank; Vice-President, Norman T. Hayes, Philadelphia National Bank; Secretary, William A. McCamy, Fourth Street National Bank; Treasurer, R. C. Alexander, Central National Bank; Assistant Secretary, John C. Wallace, Philadelphia Trust Company.

PITTSBURGH.

BY W. A. KORB.

Pittsburgh Chapter has just finished a month of unusual activity. The first event since our last report was a trip through the Carnegie Institute of Technology by the members of the Chapter and their ladies. This wonderful institution was founded and endowed by Andrew Carnegie for the purpose of placing a technical education of the most approved type within the reach of students of moderate means.

Since the Institute was opened in 1905, with an enrollment of 765, it has grown by leaps and bounds until it now consists of four separate schools with an enrollment of approximately 4,000 students. The four schools are the School of Applied Science, the School of Applied Design, the School of Applied Industries and the Margaret Morrison Carnegie School for Women. The schools, with their day and night courses, nominal fees, modern equipment and practical educational features, offer excellent opportunities for a technical education to many who could not otherwise obtain such an education.

Our trip through the schools was both interesting and instructive, but limited space will not permit a full description of this trip. While the members of the party were gathering, moving pictures of the school and school life were shown in the lecture room of the School of Applied Industries. At 8.15 the party was divided into four groups and conducted by members of the faculty through the various buildings, winding up finally at the theater in the School of Applied Design, where the students of the Department of Dramatic Art presented a play entitled "The Neighbors," special programs for the occasion having previously been printed by the students in the Department of Printing. The cordial hospitality of the faculty and students all through the trip was very much appreciated by members and friends of our Chapter.

The next important event in the recent history of our Chapter was the housewarming in the new quarters in the Hanan Building. For some time past Pittsburgh Chapter has been handicapped in its work by the lack of a proper meeting place; it seems, however, that the right place has at last been found. To celebrate the occasion a housewarming was planned and a "big" pro-

gram arranged for. The first number on the program was a buffet luncheon in the rooms from 6 until 7 o'clock, after which the annual adding machine contest was held. This was won by Mr. Rowland, of the Diamond National Bank, with Albert Eyler second, and Messrs. Ritchey, of the Peoples National, and Knapp, of the Mellon National, tied for third place. The prizes for the contest were donated by the Burroughs Adding Machine Co.

The next number on the program was the Eureka Concert Jubilee Singers, a troupe of eight colored ladies and gentlemen, who entertained us for a half hour with old-time jubilee and plantation songs. During this time our old friend and fellow member, D. C. Wills, of the Cleveland Federal Reserve Bank, came in unexpectedly. He was, of course, called on for a few remarks and responded by expressing his pleasure at being back with the old crowd once more and of having the opportunity of hearing another old friend and member of Pittsburgh Chapter, John E. Rovensky, of the National Bank of Commerce, New York, who was the speaker of the evening.

Mr. Rovensky's subject was "The Tendency of the War Toward Making New York the World's Money Center." To hear such a timely topic discussed by such an able and pleasing speaker was indeed a treat, one which was thoroughly enjoyed by the large crowd present. Mr. Rovensky closed with these words: "This is America's hour of opportunity. With the increasing wealth of this country we are rapidly forging to the front, and now the war has so handicapped our competitors that New York is well in the lead of all the financial centers of the world." The Jubilee Singers completed the evening's entertainment.

The year book of Pittsburgh Chapter has been completed and distributed. H. E. Hebrank, who had charge of it, deserves a great deal of credit for the excellent work he has done in bringing to such a successful conclusion this big undertaking. It is a book that is very much appreciated by the members of the Chapter.

The educational classes are preparing to finish their studies and take the examinations. The Accounting Class will complete its course in about two weeks, but the Class in Commercial Law has undertaken such an extensive course that they will not be able to complete their work by the end of May, as is usually the custom. It will be necessary for them to continue their studies until the latter part of June. This will wind up what has unquestionably been the most successful educational plan ever adopted by Pittsburgh Chapter.

The annual election of our Chapter was held on Tuesday evening, May 25th, the results of which will be announced later. Plans are being completed for the Field Meet to be held in the Trees Stadium of the University of Pittsburgh on Saturday, June 19th.

The Convention Committee is working hard to get a large delegation to attend the San Francisco Convention August 18th to 20th. The Pittsburgh delegation will leave on the night of August 10th, arriving in Chicago the next morning, spending the day there and leaving on the special train the evening of August 11th via the official route decided upon by the Transportation Committee, arriving in San Francisco August 17th. The members expecting to make the trip are as follows: H. E. Hebrank, William Bell, P. S. Space, H. G. Hetzel, Robert Patterson, Wm. F. Woestehoff, Jr., C. E. Tolley,

C. G. Pfordt, J. Howard Blair, D. A. Mullen, C. W. Ehn, Jean Phillips.

While it is not customary for the Chapter to close its activities with the annual election, the officers this year are planning to maintain interest in Chapter work by arranging several Summer social events. The first of these will be held some time in July. It will be in the form of an outdoor moving picture show and dance at the Hotel Schenly.

The committee having charge of the candidacy of Harry E. Hebrank for Executive Council feel greatly encouraged by the large number of letters received from the different Chapters. Mr. Hebrank's valuable work rendered while a member of National committees for the past three years has not only brought him very prominently before the different Chapters, but has shown that in endorsing him for this high position Pittsburgh Chapter has chosen a man fully conversant with Chapter work in every phase.

SALT LAKE CITY.

BY J. A. MALIA.

The Program Committee for the San Francisco convention, contemplating an interchapter debate between an Eastern and a Western Chapter, has made inquiry as to whether Salt Lake Chapter has a team which would be a worthy foe. The proposition was taken up at our last meeting and, with much enthusiasm, it was decided to make an effort to have our Chapter represented. The debate work of our Chapter this year has developed several good speakers, and we deem it an honor to even have Salt Lake considered in connection with the convention debate.

Examinations are next in order and we hope to have several graduates this year. The Educational Committee now has the questions and the past two meetings have been given over to a review of the year's work. Many of the members have expressed a desire to have a Forum next year and the officers are working to that end. We also expect to start a Chapter library, to be composed chiefly of material that is not now to be had at the Public Libraries of the city.

Salt Lake will send a full delegation to the San Francisco convention in addition to the debating team should this city be selected for the debate. This will give us a representation of at least seven men and many more who will visit the exposition will choose the convention time for their trip. We are also looking forward to entertaining many of the delegates either en route or returning from the convention. Committees are already at work planning a royal reception for the visitors.

The last meeting in May will close the regular meetings until after the Summer months. The past year has been in a great measure the most successful in the Chapter's history. We feel that this success is due to the effort made to adhere to the course outlined by the Institute and to the debates. We were fortunate in our selection of an instructor for the debating class. Each member was given a chance to participate in a debate at least once during the year, and the subjects chosen all related to the work in the regular course, thus making a double incentive for study. Our new President will be sent to the convention as a delegate,

and will return brimful of ideas for next year's work, and we hope to make Salt Lake one of the banner Chapters of the Institute.

SAN FRANCISCO.

BY E. V. KRICK.

The month of May holds a place all its own in our Chapter's activities. The annual election fell on May 6th this year, and quite naturally there was much interest displayed among the several candidates. It is seldom we in San Francisco Chapter have an opportunity to vote our full convention delegation. However, ours was the privilege this year with all its contingent rival campaigning among the nominees.

The election can be credited with the responsibility for an acquisition of 20 new names to the Chapter's roll, the injection of considerable enthusiasm and energy among the members, as well as the performance of its usual function, that of electing the officers, governors and delegates, as appears below:

President, William A. Marcus, Savings Union Bank & Trust Company; Vice-President, H. A. Haake, Crocker National Bank; Secretary-Treasurer, E. V. Krick, Savings Union Bank & Trust Company. Governors: Alfred Gock, Bank of Italy; James D. Lowsley, First Federal Trust Company; B. A. Supple, Anglo and London-Paris National Bank, and John T. Wallace, Merchants National Bank. Delegates: W. R. Berry, Crocker National Bank; E. A. Brown, California National Bank, Sacramento, Cal.; H. L. Clapp, Bank of California, N. A.; M. R. Clark, First Federal Trust Company; John Clausen, Crocker National Bank; John C. Curran, Humboldt Savings Bank; William A. Day, Savings Union Bank & Trust Company; W. F. Gabriel, Wells Fargo Nevada National Bank; H. A. Haake, Crocker National Bank; L. H. Hansen, German Savings & Loan Society; L. W. Jenkins, Humboldt Savings Bank; Victor Klinker, Anglo and London-Paris National Bank; Joseph H. Leal, First National Bank; W. D. Lux, Crocker National Bank; H. E. Miller, Crocker National Bank; Edw. Moffatt, Mercantile National Bank; H. J. Moore, First National Bank; F. C. Mortimer, First National Bank, Berkeley, Cal.; R. A. Newell, First National Bank; T. G. Spillane, Bank of California, N. A.; Roy Warner, Wells Fargo Nevada National Bank; Prosper L. Wolf, French-American Bank of Savings; George L. Woolrich, Wells Fargo Nevada National Bank.

It gives us pleasure to announce William A. Marcus, of the Savings Union Bank & Trust Company, as the President of San Francisco Chapter for the ensuing year. Mr. Marcus, during several years of efficient Chapter work, has fully demonstrated that he possesses executive and administrative abilities equal to the unusual demands which will be made upon our Chapter during this, our convention year.

Following the close of the polls on May 6th, Dr. Ira W. Howerth, Director of the Extension Division, University of California, addressed the Chapter upon the announced topic, "The European War."

Dr. Howerth drew several deductions from the situation in Europe, which proved very interesting when viewed through his interpretations. He declared himself as an advocate of peace and of a small army and

navy, setting forth many arguments in opposition to assertions and reasonings of those holding contrary views.

The first phase of the topic discussed was, quite naturally, the economic side. In the opinion of Professor Howerth, the United States will not profit economically by this war. He concluded this argument with the following syllogism:

"One dollar destroyed in Europe represents the purchasing power of Europe diminished by one dollar. The loss of a man represents the purchasers of Europe reduced by one man, and to carry these two to the last dollar and the last man would reduce the situation to an absurdity."

Dr. Howerth's second deduction from the present situation in Europe was the much discussed question of whether or not we should increase our navy. He argued against a larger navy as a futile, extravagant, vicious propaganda with characteristics which would lead to war rather than peace. To substantiate his position, he offered these arguments:

"Our navy at the present time ranks second only to Great Britain's in tonnage and efficiency. We have 225 war vessels in commission and 77 under construction. England for a century had no occasion to use her navy until the year 1914. England's naval budget of 1885 carried an expenditure amounting to two and one-quarter billions of dollars to build war vessels whose ultimate end, a few years later, was the junk pile, due to a change of policy.

"Mere sentiment is not an argument for the largest navy. The rivalry for the largest navy engenders the war spirit.

"The fear of an opponent's larger navy does not prevent conflict, as illustrated by our war of 1812 and the Russo-Japanese war.

"The largest navy is not necessarily representative of a nation's physical strength.

"The larger the navy the greater the probability of war, due to the arrogance of 'trained men willing to fight engaging in embroilments in foreign ports.'

In his conclusion Dr. Howerth argued positively for a small navy—how small he did not state—on grounds which partook of humanitarian as well as educational principles, saying: "A nation engaging its energy in industrial and educational activities will find little time or desire for war."

He emphasized in his argument that the vast sums which are being expended in constructing larger navies, if directed into educational channels, would prove wonderfully beneficial by stating that at the present time the United States is building five war vessels at \$14,000,000 each. The cost of one of these ships would establish a Tuskegee Institute in every Southern State or install a \$25,000 library in every important city in the country.

"Our national ideal," said Dr. Howerth, "should not be one of supremacy in the art of destruction, but supremacy in industry, art, literature and science.

"We must avoid suspicion. Hate is the child of fear individually and nationally as assuredly as 'he who taketh the sword must perish by the sword.'"

The Chapter Forum held its regular monthly meeting on the evening of May 13th. The general subject, "The Dollar Credit vs. the Pound Sterling," was very fully and interestingly covered by three of our members,

as follows: "London—the Center of World Finance," J. D. Lowsley, First Federal Trust Company; "United States as a Non-competitor for World Trade," P. A. Pfluger, Humboldt Savings Bank; "The Foreign Exchange Situation and the Future of the Dollar Credit," William A. Marcus, Savings Union Bank & Trust Company.

Dr. C. H. Parker, of the University of California, who has been conducting the Class in Banking and Finance, delivered his last lecture in the course on the afternoon of May 13th. Of those qualified to take the examination 10 presented themselves Saturday, May 15th, for the task. Dr. Parker's lectures have been so popular that the weekly class attendance has been greatly augmented by the presence of those already holding certificates. We have been singularly fortunate in obtaining a lecturer of Dr. Parker's ability to conduct this phase of our work.

ST. LOUIS.

BY CHARLES A. SCHACHT.

Those who attended the closing meeting of the Forum Class heard an excellent talk on "The New Missouri Banking Law" by Hord Hardin, of the Mississippi Valley Trust Company. Mr. Hardin has published a book on the new law, containing notes, annotations and cross-references, consequently he was able to treat this pet topic of his in a very able and masterly manner. A large audience was in evidence and the talk was thoroughly enjoyed by all present.

The annual election of officers resulted in the following selections: Charles A. Schacht, Franklin Bank, President; J. V. Keely, Mercantile National Bank, Vice-President; Frank N. Hall, Mechanics-American National Bank, Secretary-Treasurer. Board of Governors: L. C. Byran, Boatmen's Bank; John H. Sills, Franklin Bank; Arthur W. Haill, Third National Bank; C. H. Chase, Mechanics-American National Bank; Henry H. Aehle, Mercantile National Bank; E. A. Wriden, German-American Bank; Clarence W. Wright, Third National Bank; with J. E. Uhrig, St. Louis Union Bank, member ex-officio.

The following were named as delegates to the convention: J. E. Uhrig, delegate at large; W. A. Wilkinson, Adolph H. Hanser, Fred W. Krieger, Frank C. Ball, Ambrose McGrath, L. M. Carr, F. N. Hall, W. R. Dorris, W. A. Crockett, L. C. Bryan, C. W. Wright, B. W. Moser, F. L. Denby, J. H. Sills, W. S. Hill and H. H. Aehle.

SYRACUSE.

BY A. B. MERRILL.

A. W. Hudson, President of the First National Bank of this city, lectured on March 9th on the subject of "Bank Examinations." Mr. Hudson was formerly connected with the State Banking Department and spoke with authority upon such a subject. His lecture was both instructive and interesting, as he showed the essentials of a good bank examination. The men of Syracuse Chapter are always glad to welcome Mr. Hudson, as he is a great friend of the Institute.

March 26th Alfred L. Wise, who is now Treasurer of the Hunter Arms Company, of Fulton, came back to

us for a short time to give us an idea on bank investments. Mr. Wise showed his old-time enthusiasm and his paper was exceedingly interesting.

April 9th A. W. Loasby, President of the Trust & Deposit Company of Onondaga, gave one of the most interesting lectures of our entire course. His talk was on "The Credit Department," and most of the evening was spent in analyzing good and bad statements, showing the good and bad qualities in each statement. This lecture was made especially interesting, as the statements were thrown on a screen so that everyone could see them.

April 16th S. Howard Fyler talked upon "The Clearing House." Mr. Fyler has recently found some old Syracuse Clearing House books and the history of the early organization was especially interesting. L. S. Brady, Cashier of the First National Bank, and formerly connected with the State Banking Department, spoke briefly on "Clearing House Examinations."

April 23d George M. Barnes, President of the Central City Trust Company, lectured upon the subject "The Trust Company." He spoke upon the origin of the trust company in the United States, showing that it was a real American institution. He also spoke of the functions and investments of the trust department. Mr. Barnes is President of the newest trust company organized in this city, but he nevertheless showed his past banking experience.

Upon the death of one of the best friends of Syracuse Chapter, Albert P. Fowler, Vice-President of the First National Bank, the following resolution was adopted:

"We, the members of Syracuse Chapter, American Institute of Banking, recognizing the loss sustained both to the community in general as well as to ourselves in particular in the passing away of Albert P. Fowler, desire herewith to record our heartfelt appreciation of his interest in the welfare of our Chapter.

"From the beginning of our work up to the time of his illness Mr. Fowler assisted with his wise counsel and good judgment in guiding the Chapter, and because of this his loss to us is all the greater.

"Resolved, That we extend to the family of Mr. Fowler our sincerest sympathy in this great affliction, and that suitable record of this action be spread on the minutes of our Chapter and a copy sent to the BULLETIN of the American Institute of Banking for publication."

Our year of study is closed. Sixteen have tried the Practical Banking and Economic examination, and we hope all passed. Two men are going to San Francisco as delegates, W. W. Seymour and S. Howard Fyler, worthy representatives of the Chapter.

WASHINGTON.

BY JOHN A. PETTY.

Washington Chapter brought its year's work to a close on Thursday night, May 13th, when the installation of the newly elected officers and governors took place. Following is the list: President, H. V. Haynes; Vice-President, H. W. Ireland; Treasurer, C. T. Beaumet; Secretary, T. J. Moore; Assistant Secretary, P. A. Brunger; Chief Consul, G. E. Flather. Board of Governors: W. G. Rogers, G. E. Stauffer, F. V. Grayson, R. L. Neuhauser and W. W. Spaid.

Our retiring President, W. W. Spaid, on behalf of the Chapter, was presented with a handsome traveling outfit as a token of its high esteem and the appreciation of his very creditable work. In accepting this useful gift "Bill" responded in his characteristic manner.

From an educational standpoint, Washington Chapter enjoyed one of the most successful years since its organization. Beginning with the course of lectures on the Federal Reserve Act by Dr. Willis, Secretary of the Federal Reserve Board, and throughout the entire year the meetings were well attended, and there were 17 who took the final examination in "Banking and Finance." Prizes amounting to \$50 created a lot of enthusiasm, and from the earnestness evident on examination night Professor Kern will have a hard job picking the winners.

Our new President, Harry V. Haynes, was given a rousing reception when he took over the gavel. We are proud of "Harry," as we all know him. He has long been a hard worker for Washington Chapter and his election insures another successful year. We believe, from the reports that reached us of the masterful way he handled the delicate situation at Richmond, when, as Vice-President, he was called to preside over the convention because of the sudden illness of the President, that his admirers are not limited to the boundaries of our city.

San Francisco will see our old regulars, Messrs. Devereaux, Haynes, Galliher, French, Manning and, from present indications, quite a few new ones. The following is the complete list of our delegates:

Delegates: F. B. Devereaux, H. V. Haynes, T. S. Holland, D. H. Manning, E. S. Wolfe, P. A. Galliher, E. T. Love, A. M. Nevius, Carroll Pierce, J. C. Williams, M. E. Slindee, E. J. McQuade, Arthur Nyman, H. M. French. Alternates: Arthur Herbert, W. McK. Stowell, C. L. Echloff, F. L. Moore, C. D. Boyer, F. V. Grayson, B. W. Royce, G. E. Stauffer, R. L. Neuhauser.

CHAPTER PRESIDENTS TO CONFER AT SAN FRANCISCO.

The Second Conference of Chapter Presidents was held in Dallas, Tex., during the last annual convention of the Institute in September, and was attended by all the Chapter Presidents who were at the convention. The enthusiasm with which this conference was received and the success obtained led to many requests for a similar conference at San Francisco which has been decided upon by President Evans, and Frank W. Bryant, of Boston Chapter, has been asked to act as Chairman.

The program will be similar to last year's, with the addition of some five-minute papers on the most important topics, followed by a thorough discussion. Much helpful and valuable information will be obtained by the new Presidents in attendance. In order to make this conference a success the advice and co-operation of all Chapter Presidents and ex-Presidents is earnestly solicited. It is hoped that if any Chapter President has a particular hobby, he will bring it along, as it may be helpful to some Chapter that is in need of a little assistance.

Owing to the fact that the Chapter offices in most cities will be changed before the convention opens present Presidents are asked to present this matter to the new Presidents as soon as election is made.

PROTECTIVE DEPARTMENT

L. W. GAMMON, MANAGER

OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL
DETECTIVE AGENCY, INC.

ALABAMA, BIRMINGHAM.—Brown-Marx Building.
CALIFORNIA, LOS ANGELES.—Walter P. Story Building.
CALIFORNIA, SAN FRANCISCO.—First National Bank Building.
COLORADO, DENVER.—First National Bank Building
ILLINOIS, CHICAGO.—Transportation Building.
LOUISIANA, NEW ORLEANS.—Whitney Central Building.
MARYLAND, BALTIMORE.—Munsey Building.
MASSACHUSETTS, BOSTON.—201 Devonshire Street.
MICHIGAN, DETROIT.—Dime Savings Bank Building.
MINNESOTA, MINNEAPOLIS.—McKnight Building.
MINNESOTA, ST. PAUL.—New York Life Building.
MISSOURI, KANSAS CITY.—Midland Building.
MISSOURI, ST. LOUIS.—704 Title Guaranty Building.
NEW YORK, BUFFALO.—White Building.
NEW YORK, NEW YORK CITY.—Woolworth Building.

OHIO, CLEVELAND.—Sweetland Building.
OREGON, PORTLAND.—Yeon Building.
PENNSYLVANIA, PHILADELPHIA.—New Stock Exchange Building.
PENNSYLVANIA, PITTSBURGH.—Commonwealth Building.
TEXAS, HOUSTON.—Union National Bank Building.
WASHINGTON, SEATTLE.—Hinckley Block.
WASHINGTON, SPOKANE.—Old National Bank Building.
FOREIGN OFFICES OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.
CANADA, MONTREAL.—501 Transportation Building.
ENGLAND, LONDON, W.—Crown Chambers, 5 Regent St.
FRANCE, PARIS.—16-17 Rue Auber.
BELGIUM, BRUSSELS.—4 Passage des Postes, No. 6 Boulevard Anspach.
CORRESPONDENT OF THE WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC.
IOWA, DES MOINES.—The Gus. J. Patek Detective Agency, 515 Mulberry Street.

REPORT OF PROTECTIVE WORK

"PROSECUTION FIRST," THE SAFEST RULE.

Released from prosecution, defendant takes first opportunity to swindle.

On February 19, 1915, a member of Beaver Falls, Pa., placed in our hands for investigation a case wherein one H. P. CIPPERLY had defrauded their bank by having money advanced to him on a check which was later proven as entirely worthless.

In the early part of March Cipperly was located in the Allegheny County Jail, Pittsburgh, Pa., where he had been taken on a charge of embezzlement, committed prior to the worthless check charge. The Beaver Falls member was desirous of having Cipperly punished for his offense perpetrated against them, and immediately swore out a warrant, which was filed at the jail to be brought against Cipperly when he was released on the embezzlement charge.

A few days later Cipperly's case came up in the courts and he was acquitted. As he was leaving the court he was immediately rearrested by an officer who held the warrant issued by our member, and on the same day he was taken back to Beaver Falls and lodged in jail. At this place his case was gone into by the bank officials and the prosecutors, and shortly thereafter this Association received a letter from the defrauded member which at some length explained that they no longer desired to see this man punished, he being the father of a large family, but they were confident that he would go straight from then on and would never again resort to any swindling transactions.

However, they had previously agreed to prosecute this case and they therefore asked our opinion in the matter. We strongly urged that this man be made to suffer for his wrong. We went further to suggest that his case, if placed in the courts, would possibly be productive of his receiving a light or suspended sentence, and that this action would more strongly impress upon his mind that he was dealing with justice and would no doubt have serious effect on his resolutions if tempted to do wrong in the future.

The case came up in the courts, and the jury, with the bank's final and necessary consent, allowed Cipperly to make good the amount of the check and secure

his liberty. All warned him that he must now go straight or his family and self must suffer. Cipperly walked from the court house a free and unpunished man, and those instrumental in his release told themselves that he had "learned his lesson" and would turn his back on crime.

Not more than a month had passed when information was received at this office to the effect that Cipperly had just been arrested at Erie, Pa., and was charged with forging different papers whereby he secured a large sum of money in cash. Our fears were confirmed. Our warnings, based on experience alone, had gone unheeded and the anticipated ends had been met with. The leniency shown this man, as in hundreds of other cases, had been misjudged and mis-carried.

We informed our member of the arrest, and quote the reply to our letter:

"It is with considerable regret that we note this man did not appreciate the position he was in at the time of his trouble in Beaver Falls, nor the efforts made, not only by ourselves but other parties, and at once proceeded to get back into the criminal class.

"We must admit that our judgment was not sound, and in the future we do not propose to advance our opinion against the position taken either by the American Bankers Association or yourselves.

"We thank you for advising us of the above matter, as it places us in position now to absolutely refuse in the future to make any concessions when it comes to handling any cases of the kind."

We lay this before our members to more readily illustrate our never-changing resolution that there is but one way to deal with crime, and that is STRICT ATONEMENT. Should a case of similar nature come into your hands at some future date recall the above, then act. This article will then have served its purpose.

NOTORIOUS BANK BURGLARS IDENTIFIED.

"Unemployed Miners" are surprised at having their past years' records related.

On the morning of April 13, 1915, a member of

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

Greenwood, Ark., was burglarized. Warnings were hastily sent broadcast and the surrounding country lay in wait for the appearance of the burglars. The bank's safe was completely wrecked; \$3,485.19 was reported missing. The men in their work had made use of cotton gloves, that they might guard themselves against detection through finger prints. Every indication was given that this case was one of expert yeggmen.



Jenny Lind, Ark., shortly after receipt of the warning, advised that their suspicions had been aroused by three strangers who had come into their town. A posse was immediately organized and the strangers arrested.

W. S. Gordon, of the Kansas City office of our Detective Agents, immediately left for Greenwood and was permitted to interview the three men under arrest. Mr. Gordon is a recognized authority on yegg work, and the efficient manner in which he has handled cases of this nature for this Association in the past is well known to every member in the territories infested by these criminals.

The first man interviewed gave his name as Robert Collins. He related that he had come from Humphreys, Ark., in search of work. He showed his Union card and strongly endeavored to prove that he



was an innocent party and had never or would never attempt a crime of this kind. Mr. Gordon quietly informed him that his story would not take. "You are none other than TOM McCABE, alias 'Big Tom,'" continued Mr. Gordon. "I have known of your actions for the past four or five years." McCabe, the unemployed miner, realizing that it was useless to endeavor to hide his identity, remarked: "I did not think you would make me." Uncovering this man's past record before the courts will assist in his being given a longer sentence

to serve, thereby freeing the banking fraternity in general from his notorious operations for that additional space of time.

The second man interviewed gave his name as William Shea. He also told how he had come on from Humphreys in quest of work, and gave it to be understood that he was taken in false arrest. "Shea" was shortly to learn that he was identified as WILLIAM WALTER STRAUM, alias William Strong, alias "Yegg Billie," who had served time in many of the country's penitentiaries. This man is a dangerous and expert yegg.

The third and last man brought in told the same tale as his predecessors. This man strove more strongly than the others to prove that he was entirely innocent of this charge. He gave his name as Wallace Anderson, spoke in good and forceful manner, and to one less experienced in dealing with men of his type his story would have been taken as good truth. Mr. Gordon did not endeavor to hide the apparent pleasure that Anderson's tale encouraged. Anderson observed it and was forced to confess, "Gordon, I did not think you would know me." This man is none other than WALTER BOLEY, alias "Tulsa Walt," one of the best safe-



blowers in the Southwest to-day and a man known to every yegg of note in this country. He is termed as a good "inside heavy man" and one that "even the round safes will not stop." He has caused more serious disturbance to members in the Southwest than any four yeggs combined. He has operated against banks at Humphreys, Gillette, Midland, Casa, Bonanza, Bentonville, Ark., and numerous other places.

Mr. Gordon has collected the matter to be used against these three men at their coming trials, and it is strongly hoped that they will be sent to the penitentiary for long terms, that members may be free from their notorious operations for some time to come.

The Arkansas Bankers Association is co-operating with this Association in the prosecution of this case. Descriptions of these men are reported in the "Arrested" columns of this issue.

WARNING.

WILLIAM J. ALLEN, alias "Slim" Allen, defrauded a member at Harrison, Neb., by means of a forged check. He is 40 years of age, about 6 feet, 165 pounds, dark brown hair, greying; slim build, trick rider, trick roper and breaker of horses by occupation.

W. M. BOROS, known as Nick Pevatz, recently defrauded a member at Cimarron, N. M., by forgery. He

is 30 years of age, 6 feet, 165 pounds, medium build, dark eyes and hair, pale face, slightly stooped shouldered.

ACKLIN A. BOURG, also known as A. A. Burg, E. Hiller and George Long, is wanted by a member of New Orleans, La., for having passed a forged check upon them. He is 35 years of age, 6 feet 1 inch, 140 to 150 pounds, slender build, sallow complexion, dark eyes and hair, smooth shaven; slow talker and has a sharp-pointed nose; bookkeeper by occupation.

CHARLES BROWN, also known as T. E. Hanford, has defrauded two members at Los Angeles, Cal., by means of checks which he passed bearing the forged signatures of different physicians of that city. It is reported that this operator rifled the doctors' desks on the night before he presented the stolen and forged checks. The signatures were so cleverly duplicated that the physicians found it hard to believe that they had not signed the checks themselves. We have no description of Brown at this writing. His handwriting is reproduced below in sample.

Chas Brown

JOHN P. CAREY is claimed to have stolen the bank book of his aunt, and at intervals in the months of February and March, 1915, by representing himself to be Joseph Walsh, son of the depositor, he presented orders at the bank to which the name of the depositor had been forged, and in each instance he received a substantial amount upon the checks. He is 17 or 18 years of age, 5 feet 9½ inches, 155 pounds, smooth shaven, ruddy complexion, dark hair, brown eyes, gold-filled tooth in center of mouth, wore blue pencil-stripe suit, green soft hat.

H. A. COOK is now being sought on the charge of having defrauded a member at Minneapolis, Minn., by means of a worthless check drawn on the Royal Bank of Canada. This man is a real estate dealer by occupation. He is 40 years of age, 5 feet 11 inches, 200 pounds, dark hair, brown eyes, stout build, smooth shaven, good appearance.

R. J. COSTEGON attempted to pass a forged check on a Minneapolis, Minn., member recently. He is 24 years of age, 5 feet 10 inches, 150 pounds, dark complexion, small build, black hair, dark eyes, smooth shaven.

A. L. CUMMINS has defrauded a member of Elizabethtown, Ky., through a forged check for \$86. This man registered from Marion, N. C., and endeavored to sell potato peelers marked "Castellas Knife, Patented Aug. 26, 1913." In many instances he insisted that he be paid with check for 25 cents, the price of the article, and though it is not known how many of these checks he got it is probable that he will attempt some fraud through them. On May 4th the bank received a telephone call supposed to be from the wife of one of their customers, who claimed that her husband had bought some cattle and gave the farmer a check for \$86; that the farmer wanted to get the check cashed, and would the bank please cash it for him, promising that her husband would be in later to deposit enough to cover it. This the bank agreed to do, and when Cummins later presented himself with the check it was paid without question, they believing him to be the party who sold

the cattle. This man is 19 to 21 years of age, 5 feet 5 or 6 inches, 125 pounds, freckles on cheeks and across nose, light brown hair, parted in middle and brushed back on both sides; prominent teeth, weak, changeable voice; long, slim hands; easy talker. His only baggage was a 14-inch black bag.

JAMES K. DAVIS has recently passed several checks drawn upon the Hanover National Bank of New York City and the Bank of Stevenson, Stevenson, Wash., which have been proclaimed by these banks as entirely worthless. Bradford, Harrisburg and Clifton Heights, towns of Pennsylvania, have been advanced upon by this man. Also at Silver Springs, Md., a member took and cashed one of these checks and was consequently forced to suffer. Davis is a contractor and civil engineer by occupation and has remarked that he is the possessor of two or three steam shovels in California. He is about 36 years of age, 5 feet 8 inches, 180 pounds, ruddy complexion, bald head, teeth set far apart, showing plainly; is a graduate of Swarthmore College.

ALFRED CUNY DI PIERRON has put a member of Baltimore, Md., to a loss of \$1,250 by means of a forged check. He is believed to be in Philadelphia or New York City. He is about 37 years of age, 6 feet, 185 pounds, brown hair, pompadour, blue eyes, medium build, smooth shaven, thumb on left hand deformed, left ear stands out from head, speaks with foreign accent; when last seen wore blue serge suit, black derby hat, black shoes; carried a gray overcoat.

JOHN FISHER defrauded a member at Berryville, Ark., on January 13, 1915, when he received cash from them on a worthless draft drawn on a bank in Ozark, Mo. He is 45 to 50 years of age, 5 feet 9 inches, medium light complexion, slightly gray hair, two first fingers of left hand missing.

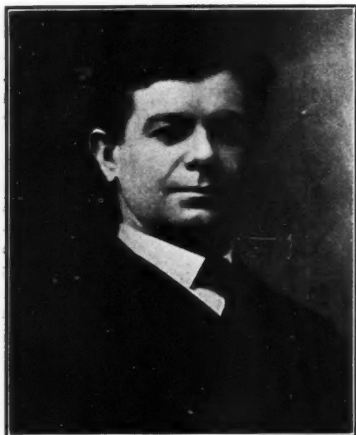
W. H. GRIFFIN, alias W. H. Griffith, alias F. S. Rose, succeeded in defrauding a member at Sutton, W. Va., during the latter part of April, 1915. While endeavoring to place this man under arrest the Chief of Police of Gassaway, W. Va., was killed by this criminal. A posse was immediately formed and Griffin was pursued through mountains and woods for several hundred miles, but the search proved fruitless. This man is 30 years of age, 5 feet 10 inches, 170 pounds, medium build, florid complexion, dark brown hair, smooth shaven, hollow jaws and prominent cheekbones, broad forehead, wore dark cap, blue overalls, black shoes.

CHARLES HARVEY, who until very recently lived at Lowell, Mich., has succeeded in defrauding bank members of Lowell by passing forged checks upon them. He is an ex-convict, having served a term of four years in the Michigan State Reformatory, and is believed to have relatives living in the vicinity of Beaudette, Minn. He is 25 years of age, 5 feet 4 inches, 135 pounds, dark brown eyes, light brown hair, deep-set eyes and thin nose; has tattoo mark of sailor boy on one arm.

ARTHUR JOHNSON has defrauded members in Denver, Col., by passing forged checks upon them. He is 35 years of age, 5 feet 7 inches, 155 pounds, medium build, chestnut hair, smooth shaven, fair complexion.

ERNEST HUBERT is reported to have defrauded a member of Springdale, Pa., by means of a forged note for \$75 upon which he succeeded in obtaining this amount. Subsequent investigation developed that Hubert had also forged indorsements to notes for approximately

\$200 upon members of Tarentum, Pa. Endeavors are now being made by our representatives to cause this man's apprehension. A photograph of Ernest Hubert is reproduced herewith in connection with this article. He is 39 years of age, 5 feet 1 inch, 135 pounds, me-



ERNEST HUBERT.

medium build, dark complexion, dark brown hair, smooth shaven, scar on wrist of one hand, two fingers stiff on left hand; dress: wore black stiff hat, blue and white tie, dark suit, patent leather shoes.

R. H. McCOY has been issuing small bogus checks drawn on Sistersville, W. Va., banks. Business people of West Virginia, Virginia and Kentucky have taken up these checks.

CHARLES PHILLIPS has defrauded a member at Price, Utah, by means of a forged check. He also defrauded a saloonkeeper in Salt Lake City, Utah. He is 35 years of age, 5 feet 6 inches, 135 pounds, slender build, very black hair, black eyes, dark ruddy complexion, thin features, walks stooped shouldered, is a sheep shearer and well known to all sheepmen in the above-named towns. He is of French descent. May seek employment in southern Idaho, Wyoming or Montana.

JEROME E. POOR, known as L. Austin, recently defrauded a member of Golden, Col., by means of a forged indorsement to a draft. He is 27 years of age, 5 feet 6¾ inches, 122 pounds, medium build, medium complexion, light brown eyes, light brown hair, shot wound in left elbow; represents himself as a salesman or waiter.

GRACE RANCE succeeded in cashing a forged check in a member's banking rooms at Los Angeles, Cal., recently. The cash was readily given to her because of the fact that the check bore the "O. K." of one of the bank's officials; but this official, when interviewed, could not recall ever having placed this mark on the check in question. Grace Rance is 29 years of age, 5 feet 8½ inches, 145 pounds, slender build, dark hair, dark eyes; neat dresser. The California Bankers Association is co-

operating with this Association in an endeavor to bring about the apprehension of this woman.

J. O. H. SCHMITZ has defrauded a member at Oceanside, Cal., by means of a bogus check. An investigation uncovered the fact that this man is also responsible for the swindling of several business houses at Mill Valley, Cal., and vicinity. Pacific Coast members are warned to be on their guard for this man. He is 48 years of age, 5 feet 9 inches, 185 to 190 pounds, stocky build, brown eyes, brown hair, thin, partly bald; coarse features, stub nose, appearance of being broken; usually wears a gray motor cap or black soft hat; speaks with German accent, curls upper lip to assist his pronouncing English words. The California Bankers Association is interested with this Association in the endeavor to secure the apprehension of Schmitz.

A. SOBELINSKI is wanted by a member of New York City on a charge of forgery. He is 30 or 31 years of age, 5 feet 8½ inches, black hair and eyes, smooth shaven, smallpox marks on face; tailor by trade. Is believed to be employed at New Britain, Conn.

A. B. STEELE, photograph above reproduced, recently opened a checking account as a member in Kansas City, Mo., and on April 24th, while the paying teller was very busy, he presented his passbook, which he stated had just been balanced, showing \$1,000, and



A. B. STEELE.

asked that it be given to him in currency, which the teller did. It later developed that he was overdrawn to the amount of \$58. He is 30 years of age, 5 feet 10 inches, 175 pounds, light complexion, light curly hair, light eyes, probably blue; good dresser.

FRANK TINKLE, who has been a member of the Salvation Army at Toledo, O., for the past four years, defrauded a member of that city by passing a forged check upon them, which check purported to bear the signature of Captain William Turner. Tinkle hails from Louisville, Ky. He left Toledo accompanied by a young Salvationist named Mabel Parish. He is an ex-soldier, having served in the Philippines and Hawaiian Islands, and he has often expressed his desire to go to Honolulu to join the U. S. police force there. He is also an acrobat and aeronaut. His age is given as 41

years, 5 feet 7 inches in height, 134 to 140 pounds in weight, medium slender build, medium dark complexion, blue eyes, medium blonde hair, rather small features, high forehead, dimple in chin and a jagged scar about 1½ inches long on right forearm above wrist. Warrant is held for his arrest by the Chief of Police at Toledo.

GENERAL.

CORRECTION: In the first column of page 823, April, 1915, JOURNAL-BULLETIN, there appears an article which relates to the operations of a man who recently defrauded a member of Chattanooga, Tenn. This article should be changed to read that a man using the name of Leo Gerson is guilty of these operations.



His true name is given as LEO FUERST. Leo Gerson, to our knowledge, is a thoroughly honest and respected person, and free of all manner of implication in this matter. The Brewster Cocoa Manufacturing Company, of Jersey City, N. J., by whom Mr. Gerson is now employed, assures us of the above, as to the character of their employe. Leo Fuerst, photograph above reproduced, is 24 years of age, 5 feet 8 inches, 127 pounds, dark brown hair, blue eyes, ruddy complexion, smooth shaven, clerk by occupation. This man is wanted at Chattanooga, Tenn., on a charge of forgery.

JACK PHIL ASBURY, under the name F. G. Hummel, passed a forged check at Bradford, Pa. On page 421 of the April, 1915, JOURNAL-BULLETIN, we inserted a photograph of Asbury and specimen of his handwriting, advising that the Chief-of-Police at Wabash, Ind., has offered a reward of \$25 for information leading to the arrest and conviction of this man. Asbury is 30 years of age, 5 feet 8 inches, 130 to 135 pounds, slender build, smooth face, black hair, parted in center, combed back and cut short.

CLERENCE R. BOUDEN cashed a worthless check in Indianapolis, Ind., recently. Same was drawn on the Central Savings Bank, Detroit, Mich.

GEORGE R. BURRELL, colored, has defrauded a member of Richmond, Va., and is now being sought by the local police on a warrant charging forgery. He is 32 years, 5 feet 10 inches, 135 pounds, slender build, dark brown complexion, left shoulder higher than right due to an accident, large bunion on right foot, very noticeable, scar on left side of face above upper lip.

W. H. CLARK recently defrauded an individual in Winchester, Mass., through the medium of a worthless check drawn on the Winchester Trust Company of that place. Clark is also wanted by the police authorities of Medford, Malden, Fitchburg and New

Bedford, Mass., on similar charges. He is 35 to 40 years of age, 5 feet 8 inches, very sandy hair, bordering on red hue, thin features, wore glasses and is a voluble talker.

H. DRINKWATER was recently arrested by the police of Joplin, Mo., and returned to Cassville, Mo., to face charges of forgery and bigamy. Drinkwater stands accused of having passed a number of worthless checks at mercantile houses in Joplin and Cassville, which checks were drawn on the First National Bank, Cassville. He is 29 years, 5 feet 6 inches, 145 pounds, medium build, blue eyes, fair complexion, dark brown hair, small scar below left elbow, farmer by occupation. He is being held in the Cassville jail, waiting trial.

C. T. EARLE is passing through the State of Virginia and handing out bogus checks drawn on the National Bank of Fairfax, Fairfax, Va. He is 38 to 40 years, 5 feet 8 inches, 140 pounds, sandy hair, slender build, well proportioned; teeth regular, blue eyes, glasses; good talker, orderly appearance.

SAMUEL GREENBERG, who has used the name Sigmund Greenberg, probably a tinsmith by occupation, recently secured, through false representations, a check-book from the Public Bank of New York City and immediately proceeded to fill out and pass numerous bogus checks. Greenberg is 30 to 35 years of age, medium height, 130 pounds, dark eyes and hair, smooth shaven.

C. D. HARRIS, with the assistance of an alleged wife and butler, recently defrauded a merchant at Atlanta, Ga., when he succeeded in obtaining cash on a bogus check drawn on the First National Bank, Tonawanda, N. Y. He is of short stature, 115 pounds, light complexion, blonde hair, crippled in both hands; braces on limbs; walks with crutches.

R. J. HARRIS, of Buffalo, N. Y., has passed worthless checks at hotels in Detroit, Mich., and vicinity, drawn on the Dime Savings Bank, Detroit, Mich. He is 21 to 24 years, 5 feet 9 or 10 inches, 160 pounds, medium complexion, medium brown hair, large nose, dissipated appearance and probably is a user of some drug.

LOVERN J. HERRIFF, also known as W. B. Mayo, and L. J. Clark, who was recently released from the Illinois Penitentiary at Joliet, on parole, violated this parole. Later he stole a check from a company by whom he was employed and succeeded in passing same on a member in Chicago. He is 29 years, 5 feet 11 inches, 183 pounds, medium chestnut hair, electrical engineer by occupation. JOURNAL-BULLETINS June, 1911, page 739; August, 1911, page 100 (photo shown); December, 1913, page 423.

BREEN HOLT has defrauded a mercantile store of Sedgwick, Kan., where he recently passed a forged check. He is 27 years, 160 pounds, 5 feet 10 inches, brown hair, smooth shaven, medium complexion, slow and easy talker, exceptionally large head, appearance of a country boy.

W. H. HUME, also known as W. D. Elder, mentioned on page 940 of the May, 1915, JOURNAL-BULLETIN, was arrested in Jacksonville, Ala., on April 29, 1915, by our representatives and the local police. He was brought back to Arkansas City, Kan., where it is alleged he stole \$7,000 from a bank.

W. D. LUY, who has used the name of Garland Johnson, a prominent lumberman of that section, re-

cently forged different checks upon which he later realized cash. He is 35 or 40 years of age, 5 feet 3 to 4 inches in height, 125 pounds, tanned and sallow complexion, light eyes, light sandy mustache, inveterate cigarette smoker, writes a poor hand and is believed to be from Sunflower County, Mississippi.

HARRY F. McQUAY is alleged to have realized money on several worthless drafts passed on business people of Kansas City, Mo. He is an attorney by profession, 26 years, 5 feet 8 inches, 130 pounds, light hair, light eyes and complexion, smooth shaven.

JOHN MITCHELL, who has used the names F. W. Mitchell, Frank Wellington, George Mitchell and Jack W. Pennington, recently operated at Valley Park, Mo.; St. Louis and Springfield, Ill., using counter checks on the Bank of Meta, Meta, Mo. He represents himself as a secret service man, real estate agent and sometimes as a detective. He passes his checks at shores, restaurants, hotels, etc. He is 5 feet 3 inches, 118 pounds, small stature, very fair complexion, black hair, pleasant and fluent talker; gold tooth, next to eye tooth, left side upper, very neat dresser.

MARTIN MORAVIK, known as Abraham Nelson and Franklin Simon, arrested on a Lehigh Valley train near Bound Brook, N. J., during the early part of April, 1915, was convicted shortly afterward at New Brunswick, N. J., on a charge of forgery. He was sentenced to serve seven years in the New Jersey State Penitentiary at Trenton, N. J. This man recently succeeded in passing many bogus checks on others than members of this Association.

JAMES A. PAYNE has defrauded a hotel at Springfield, Ill., by means of a worthless check drawn on the Franklin Bank, St. Louis, Mo. This man represented himself to be in the employ of an electrical supply company of Chicago, Ill., and displayed cards, letters and other papers to verify this statement. He is 35 years of age, 5 feet 8 or 9 inches, 150 to 160 pounds, fair complexion, grayish blue eyes, straight nose, clear cut features, well dressed and of refined appearance.

EUGENE L. ROBINSON is again operating with bogus checks drawn on a bank at South Dayton, N. Y., and many merchants have been defrauded. He claims to represent the Syracuse Candy Company, of Syracuse, N. Y. See JOURNAL-BULLETINS: November, 1913, page 381; December, 1913, page 447; March, 1914, page 644, and February, 1915, page 594.

W. H. SOCWELL is reported as having been arrested on April 23, 1915, in the city of Indianapolis, Ind., and charged with having passed bogus checks. These checks were drawn on the Farmers National Bank of Dayton, Ohio, signed Jos. E. Martin, Sec'y, The Brentwood & Talge Mfg. Co., payable to W. H. Socwell.

HARRY R. STEWART, former cashier of a member of New Market, Va., is alleged to have left that bank on May 6, 1915, without notification, and has not been seen since. Examination of his account shows a shortage of from \$3,000 to \$4,000. Stewart is 5 feet 7 inches, 135 pounds, blonde or light brown hair, fair complexion, blue eyes, black suit with light pin stripe, blue vest, shoes with rubber soles. His home is in Landesburg, Pa.

J. B. STUBBS, who claims to represent the Moor-man Manufacturing Company, of Quincy, Ill., has passed

several fraudulent notes on farmers in the vicinity of Clifton, Kan. He is about 50 years, six feet, 200 to 210 pounds, gray hair, large build, slightly stooped, short neck, large oval, florid face, smokes pipe continually and good talker.

RICHARD WAINWRIGHT, the Bogus United States Army Officer, a full account of whose operations is published on page 935 of the May, 1915, JOURNAL-BULLETIN, was on May 20, 1915, sentenced to ten years in the Atlanta Penitentiary.

A. C. WARMBRODT, representing himself as a salesman for the Sanitary Feed Bay Company, Westfield, Mass., has passed a number of checks of small amounts in Southwestern Missouri and Eastern Kansas. His checks are drawn on the First National Bank of Sedan, Kan., and are absolutely worthless.

HARRY H. WHITTAKER passed a bogus check in Brooklyn, N. Y., recently, drawn upon the Liberty National Bank of New York City. At this writing we have no description of Whittaker.

ARRESTED.

GEORGIA AYRES, who has used the names Ethel Barrister, Ada N. Fletcher, Mrs. George Robinson, Ada Hanlin, etc., was arrested at Wilkes-Barre, Pa., by the local police, on May 7, 1915, while she was endeavoring to obtain cash on a forged cashier's draft. After her arrest she gave information as to the whereabouts of her husband and accomplice, GEORGE ROBINSON, alias George Garfield, Al Hanlin, George Dresser, Frank Fietcher, etc., and on that same night this man was arrested in New York City by the local authorities. The cities of Philadelphia, Boston and Albany were flooded with the forged drafts of this couple while en-tour. We reproduce specimen of Georgia Ayres' handwriting in connection with this article. Georgia Ayres is 28 years, 5 feet 8 inches, 160 pounds, dark hair, medium dark complexion, large brown eyes. George Robinson is 36 years, 5 feet 8 $\frac{3}{4}$ inches, 136 pounds, medium blue eyes.

Ethel Barrister

ELI BRIGGS, who has used the names of E. T. Freeman, Earl T. Freeman, George W. Wetmore and Eli Buggs, was arrested in Philadelphia, Pa., on May 21, 1915, and charged with having swindled a member of Camden, N. J. Similar charges were brought against this man to be satisfied on completion of the charge upon which he was arrested. This arrest was effected at the instance of our representatives.

JAMES PATRICK CAUL, an employe of the Regent Apartments at Los Angeles, Cal., was taken into custody at Los Angeles, on May 3, 1915, by our representatives, for having defrauded a member of Los Angeles out of \$280 by means of a forged check. Caul confessed his guilt and explained that he had spent this ill-gotten money among women and cards. He is now held at Los Angeles awaiting trial. The California Bankers Association co-operated with this Association in this matter.

I. CLAUDE DAVIS was arrested by the police of Valdosta, Ga., on May 18th, through information furnished by our representatives. He was returned to Macon, Ga., and is now held awaiting the action of the

grand jury. Davis is wanted by a member of Macon, Ga., on a charge of forgery.

GEORGE ELLIS, who has used the name W. A. Bissell, was arrested by the police authorities at St. Louis, Mo., on May 1, 1915, charged with having defrauded a member of Brockport, N. Y., by means of a forged check. He was returned to Brockport. On the same day his accomplice, J. E. SANDERSON, was apprehended by our representatives at Albion, N. Y., and made a complete confession relating the facts of this forgery, through which this member lost \$241.50. These men are now held at Rochester, N. Y., awaiting further action. Ellis is 25 years, 5 feet 7 to 8 inches, about 140 pounds, medium build, engineer by occupation. Sanderson is 40 to 45 years, 5 feet 9 inches, 165 pounds, stocky build, light complexion, sandy, heavy mustache.

We reproduce in connection with this article the photographs of two men arrested by our representatives, assisted by the Police Authorities of Minneapolis, Minn., on April 21, 1915. In their possession was found a complete forger's kit, consisting of inks, acids, eradicators, stamps, a hand printing press, blank checks on numerous banks throughout the country, etc. The older man gave his name as HANS FISCHER, and he is known to have used the names Hans Schroeder, C. H. Mueller, Emil Foret, C. Von Teubern, Curt Count Von Teubern, H. J. Molitor, etc. His accomplice is known as CARL BENDER, and has used the names Carl Bend-



HANS FISCHER AND CARL BENDER.

ermann, Carl Hauser, Snyder, Holtz, etc. These men made a specialty of advertising in numerous periodicals, stating that they had money to invest in business propositions, or to purchase part interests. On receipt of reply to these advertisements they would call upon their intended victim and at the conclusion of their interview would bring forth a forged certified check for large amount to further their end of the deal. These men are now held in jail at Cincinnati, Ohio, awaiting trial. Hans Fischer is 34 years, 5 feet 6 inches, 155 pounds, medium build, light chestnut hair, medium chestnut eyes, medium dark complexion.

W. B. FORD was arrested on May 11, 1915, at Lynchburg, Tex., and charged with having defrauded a member of Houston, Tex., through forgery. Ford confessed and was returned to Houston. He is about 50 years, 6 feet high, 135 pounds, bony and muscular build, ruddy and sunburned complexion, blue eyes, red sandy hair, stooped shouldered. Our detective representatives affected this man's arrest.

R. ALLEN GRIM was arrested in Omaha, Neb., on May 3, 1915, by our representatives and the authorities of Omaha, and charged with having secured \$400 on a forged Nebraska Telephone Company check. He was returned to Fremont, Neb., where he waived preliminary hearing and was released on bond. He is 35 years of age, 5 feet 9 or 10 inches, 155 pounds, medium fair complexion, light blue eyes, smooth shaven. He is being held for the September term of court.

FRED HANSON was on May 13, 1915, arrested at Palouse, Wash., by a Marshal who held warrant charging Hanson with forgery through which a member of Palouse had suffered. Hanson is 20 years of age, 5 feet 10 inches, 160 pounds, blue eyes, light brown hair, tanned face, stooped shouldered, large nose, mouth droops at corners.

GUY R. HUGUNIN passed a forged check upon a member of Spokane, Wash., recently, and the matter was immediately reported to the Spokane Office of our Detective Agents. Two days later Hugunin was approached by two men in the town of Othello, Wash., where he was employed, and charged with the forgery above mentioned. He made no attempt to cover his identity or guilt and agreed to return to Spokane. This arrest was effected by our representatives assisted by the Sheriff of Spokane. Hugunin is 30 to 35 years of age, 5 feet 8 inches, slender build, light complexion, light hair, smooth shaven. Merchants of Spokane have also been defrauded by this man. On May 16, 1908, he was received at the Walla Walla Penitentiary, from Spokane, and was granted a conditional pardon on December 23, 1908, receiving final release from conditional pardon on May 1, 1912.

In another column of this issue we have reported the arrests of TOM MCCABE, alias "Big Tom"; WILLIAM WALTER STRAUM, alias William Strong, and WALTER BOLEY, alias "Tulst Walt," yeggs, who are accused of burglarizing the safe of a member of Greenwood, Ark. We herewith publish further information relative to these men. Walt. Boley is described as follows: 33 years (1915), 5 feet 7½ inches, 157 pounds, medium stout build, medium complexion, blue eyes, medium chestnut hair, laborer by occupation. BERTILLO MEASUREMENTS: 70.5, 76.0, 85.5, 19.5, 15.2, 12.5, 6.5, 25.4, 11.4, 8.7, 47.2. Has a record in Arkansas City, Ark.; Lincoln, Neb.; Kansas City, Mo., etc. January, 1911, Detective. William Arthur Straum is described as follows: 50 years of age, 5 feet 6¼ inches, 145 pounds, brown, gray hair, hazel eyes, tattoo red and blue U. S. Coat of Arms, W.W.S. under left forearm, tattoo red and blue girl's head in wreath, left forearm; tattoo red and blue woman in tights, right forearm, W.S. underneath; six large burn scars on right forearm. January, 1909, Detective, last page, column 3. Tom McCabe (no description as yet been forwarded).

J. W. McRAE was arrested in Chicago, Ill., on May 5, 1915, by our representatives, assisted by the local police. This man defrauded a member in Council Bluffs, Iowa, with worthless drafts in the month of January, 1913. A conversation between two stenographers was overheard by Mr. C. W. Tobie, Manager of the Chicago Office of our detective representatives, in the course of which McRae's whereabouts were revealed. The arrest followed. McRae will be returned to Council

Bluffs, Iowa, to stand trial. See JOURNAL-BULLETIN November, 1913, page 530; July, 1914, page 43; December, 1914, page 390.

JOSEPH F. MUSIEL, alias Ferdinand Musiel, alias Fred Meyer, wanted for forgery by a member of Los Gatos, Cal., was identified as being the man now being held in the Washington State Penitentiary on another charge. Warrant from Los Gatos is on file with the warden of this penitentiary, and Musiel will be returned there at the expiration of his present sentence. This identification was made by our detective representatives.

FRANK NORRIS, a negro, recently attempted to have a member in Clifton Heights, Pa., cash a check bearing a forged endorsement, and have the bank forward him the money through the mails. An investigation by our representatives resulted in the arrest of Norris at Cheney, Pa. He is 19 years, 5 feet 8 inches, 160 pounds, well built, brown eyes, black hair.

J. W. PARKER, who defrauded a member of Denver, Col., during the month of January, 1914, was arrested in the latter part of April, 1915, in Salinas, Cal. He will be returned to Denver to stand trial. JOURNAL-BULLETIN, March, 1914, pages 642 and 644.

HURSEL STROTHER, who has used the name C. E. Smick, was arrested by the police of Clarksburg, W. Va., on April 24, 1915, on information furnished to them by a member of that city, to the effect that Strother had attempted to defraud them by means of a forged check. He is 23 years, 5 feet 7 inches, 135 pounds, slender build, ruddy complexion, dark brown hair, smooth shaven.

AL E. SWANTES, who has given the name of E. L. Richardson, during the past month defrauded a member at Artesia, Cal., through the medium of a forged check which he had passed outside the bank, but upon which the bank had to suffer. On May 4 the bank reported this matter, they having just discovered the forgery. On that same day Swantes was arrested at Long Beach, Cal., where he is believed to have cashed a similar forged check. The California Bankers Association co-operated with this Association in the interests of this case.

ADA TAWBER, the worthless check operator, who has been repeatedly reported in the JOURNAL-BULLETIN, was on May 7, 1915, arrested at Janesville, Wis., while she was attempting to swindle a bank at that place. She gave her name as Anna Agnus Bumgart and confessed to having operated all through California, Oregon and other points in the West. In the latter part of August, 1914, this woman's operations were first brought to our attention. In that month she succeeded in defrauding a member at Detroit, Mich. Since that date her swindling transactions were steadily reported. She is known to have used the names: Ada Tawler, Margaret St. John, Marie Smith, Ada Tawter, Carrie Lorman, Grace Connors, Anna O'Connor, Mrs. Annie Smith, Maud Wallace, Jane Hoffman, Jane Smith, Carrie Smith, Margaret Smith, Viola Smith, etc. Since January 1st of this year her checks have exclusively been drawn on the First National Bank of Chicago, Ill. She is reported in the following JOURNAL-BULLETINS: October, 1914, page 227; November, 1914, page 320; December, 1914, page 405; February, 1915, page 59; March, 1915, page 728. The California, Iowa and Oregon Bankers Associations were interested with this Association in the investigation of this matter.

JACK THOMAS, also known as Al. Thorndyke, has been arrested in New Orleans, La., and charged with having defrauded a member of San Francisco, Cal., through a forged check to the extent of \$1,500. He will be returned to San Francisco to stand trial for his offense. See JOURNAL-BULLETIN, June, 1914, page 825. The California Bankers Association co-operated with this Association in this matter.

CHARLES F. THOMPSON, JR., 14 years of age, defrauded a member at Los Angeles, Cal., on April 17th, by having them accept from him checks bearing forged endorsements. The father of this youth, who is head of the Thompson Scenic Company, of Los Angeles, placed the matter in the hands of the police authorities, and they ascertained that Thompson, Jr., had taken passage on a boat for San Francisco. The police at this city were notified and the boy was arrested and returned to Los Angeles. The California Bankers Association co-operated with this Association in this matter.

ERRET WARD, wanted for forgery by a member at Wichita Falls, Tex., was located in the jail of Okmulgee, Okla., where he was being held on a worthless check charge. This man is also wanted at Fremont, Neb., for similar offenses. When interviewed at the jail Ward confessed to these offenses, and also told of his having operated at Electra and Dallas, Tex., also at Oklahoma City and Bartlesville, Okla. Later Ward was turned over to a sheriff from Oklahoma City. See JOURNAL-BULLETIN September, 1914, page 177. Our detective representatives located Ward in jail.

HENDERSON J. WHISENANT, a negro, was arrested at Chicago, Ill., by the local authorities, after having passed a forged check for \$1,525 on a member at Pasadena, Cal. On Whisenant's person was found a confession that he had made relative to this crime and which he intended to mail back to Pasadena. He agreed to return to California without extradition papers. The California Bankers Association co-operated with this Association in this matter.

PEARL WILSON, a negro, was arrested by our Detective Agents, assisted by the Sheriff at Waverly, Va., and charged with having defrauded a member of that place by means of a forged check. She is now held awaiting trial.

CONVICTED

EDWARD BACH, alias Jacob Abrams, forger, sentenced to five years in State's Prison, New York.

E. L. BLESSING, known as Roy A. Agnew and N. E. Lacase, swindler, May 4th, sentenced to three years, Missouri State Penitentiary, Jefferson City, Mo.

SAM BOZANKE, swindler, convicted to one year in penitentiary.

R. L. BREMER, alias R. B. Lewis, forger, sentenced at Tuscaloosa, Ala., to eighteen months in the Alabama State Penitentiary.

CHARLES COX, alias John Franklin Webster Harrington, J. W. Harris and Wade Fay, is now serving an indeterminate term in the Ohio State Penitentiary, Columbus, Ohio, having been sentenced from Summit County, Ohio, for forgery.

W. G. CUYLE, forgery, sentenced to Elmira Reformatory, N. Y.

TONA FRICH, forger, May 1st, given five to six years, Montana State Penitentiary.

FRANK FUENTES, alias Francisco Fuentes, swindler, was sentenced on August 21, 1914, to 18 months in the Philadelphia County Prison.

GEORGE HANNAY, alias George Veillier, alias George Reed, sentenced to three years San Quentin, Cal., for forgery.

MAGNUS HANSON, holdup man, on March 20, 1915, sentenced to the State Penitentiary at Deer Lodge, Mont., for three to ten years.

OLIN HARMAN, convicted during April, 1915, given indeterminate sentence in the West Virginia Reformatory, Pruntytown, W. Va.

LOUIS W. HARTLEY, alias Charles W. Rhinehart, alias Paul Walker, etc., forger, sentenced to six months in the Bridewell, Chicago, Ill.

GUY R. HUGUNIN, alias Guy Hugmin, arrest reported in this issue, was sentenced to an indeterminate term of one to 20 years in the Washington State Penitentiary, Walla Walla, Wash.

LEON KOVOIAN, forger, March 15, 1915, two years' suspended sentence.

JOHN LARSON, alias G. Ohman, alias John Leriox, forger, sentenced to 15 months at Juneau, Alaska. R. EMMET LUCAS, swindler, March 18, 1915, sentenced to two years' probation, Los Angeles, Cal.

JOHN McDUFFY, alias John Markman, forger, given indeterminate term in Ohio State Penitentiary.

STEVE MOYCENOVES, swindler, given indeterminate term, Ohio State Reformatory.

JOSEPH F. MUSIEL, alias Ferdinand Musiel, is now serving time in the Washington State Penitentiary and will be returned to Los Gatos on expiration of his present sentence.

H. W. NORWOOD, forgery, January, 1915, two years in Maryland Penitentiary.

JOHN OSWALD, alias H. B. Miller, H. B. Seamon, H. B. Seaman, etc., bogus check operator, on March 30, 1915, was sentenced to six months in the County Jail, Woodbury, N. J.

OREN PARMETER, forger, two months Blackwells Island.

CHARLES F. POSSELT, forger, sentenced to an indeterminate term at Elmira Reformatory during August, 1914.

FRANK H. POWELL, also known as Harold E. Wentworth, forger, May 13, 1915, sentenced to the Massachusetts Reformatory.

M. RICHASON, alias Sam Levikow, swindler, was recently sentenced to 15 years in the Washington State Penitentiary on a charge of burglary.

C. R. ROGERS, forger, was on November 11, 1912, convicted at Covington, Ky., and sentenced to serve from two to 10 years in the Frankfort Penitentiary.

ADOLPH SCHMIDT, forger, sentenced to Illinois State Prison, Joliet, Ill., two to 14 years.

R. P. SMITH, forger, sentenced to two years in the Missouri State Penitentiary.

ADA TAWBER, alias Grace Connors, etc., worthless check operator, given an 11 months' jail sentence to be served out as untrained nurse at Rock County Asylum for Insane, Wisconsin.

CHARLES F. THOMPSON, JR., forger, May 4, 1915, given probation to report to his grandfather. Report as to his behavior must be made in court again on July 6, 1915.

RAMON VILLANUEVA, alias Justo L. Sumobra,

alias Pablo dela Cruz, alias Pedro dela Cruz, alias Jose L. Castro, forger, five years' probation.

VOJO VOJRODIC, forger, May 1st sentenced to five to six years, Montana State Penitentiary.

CLIFFORD C. WEBSTER, alias H. C. Wright, pleaded guilty to forgery, sentenced to five years in the Missouri State Penitentiary.

RELEASED

ALINE DAVIS BLASS, accomplice to forger, was released from custody, her case being nolle prossed.

G. CHARLES BULLEN, swindler, owing to insufficient evidence on which to convict, was released at Los Angeles, Cal.

C. S. COOPER has been released owing to the fact that no one would stand the expenses of the witnesses to attend his trial.

J. A. DANIELS, alias J. H. Day, has been released by the Sheriff at Palm Beach, Fla., although wanted for forgery committed at Stuart, Fla.

LEO EDWARDS, hold-up, acquitted. Now serving sentence on other charge.

CZESLOW GACZEWSKI, holdup man, discharged, not sufficient evidence to convict.

JESSE HEILD, accomplice to forger, released; case nolle prossed.

CECIL JESSON, swindler, escaped from custody.

ROBERT M. KELLY, worthless check operator, was released from custody, as the case brought against him was later dropped.

LORETTA KIRLIN has been released from custody.

C. E. SULLIVAN, forger, released; prosecutor failed to appear at trial.

AWAITING ACTION

ALLEGED FORGERS AND SWINDLERS.

Andrews, Bob, swindle, Ramseur, N. C.
 Ayres, Georgia, forgery, Albany, N. Y.
 Becker, J. M., swindle, Los Angeles, Cal.
 Bender, Carl, swindle, Minneapolis, Minn.
 Berry, Aurelia Mildred, forgery, New Orleans, La.
 Bingemer, C. T., forgery, Tulsa, Okla.
 Blount, Walter C., forgery, Holdenville, Okla.
 Boisbert, Arthur, forger, Oxford, O.
 Bonchea, Benjamin, swindle, Philadelphia, Pa.
 Braun, F. A., forgery, Cairo, Ill.
 Briggs, Eli, swindle, Camden, N. J.
 Bundy, H. C., forgery, San Francisco, Cal.
 Bush, J. A., forgery, Wenatchee, Wash.
 Campbell, H. E., forgery, Sunbury, Pa.
 Camus, William L., forgery, New Orleans, La.
 Caul, James Patrick, forgery, Los Angeles, Cal.
 Chandler, Harry, swindle, Des Moines, Iowa.
 Clark, E. G., swindle, Biddeford, Me.
 Cole, A. C., swindle, Houston, Tex.
 Collar, W. W., swindle, Heavener, Okla.
 Davis, I. Claude, forgery, Macon, Ga.
 Dean, W. R., forgery, Atlanta, Ga.
 Dunham, H. H., forgery, Ames, Iowa.
 Early, Milton, swindle, Clarion, Pa.
 Easterday, Dr. Ray, swindle, Billings, Mont.
 Emmons, Rollie, forgery, Jenkins, Ky.
 Ellis, George, forgery, Brockport, N. Y.
 Farlow, A. P., forgery, Columbus, S. C.

Fischer, Hans, swindler, Minneapolis, Minn.
 Forbush, A. H., swindle, Brinkley, Ark.
 Ford, W. B., forgery, Houston, Tex.
 Freeman, John, forgery, Haverhill, Mass.
 Geyer, Henry, forgery, Mount Vernon, Iowa.
 Goldman, Jacob, forgery, New York City, N. Y.
 Grim, R. Allen, forgery, Fremont, Neb.
 Gustavus, Peter W., swindle, Fresno, Cal.
 Hanson, Fred, forgery, Palouse, Wash.
 Hayes, Della, swindle, Mishawaka, Ind.
 Holloway, A. B., swindle, Kansas City, Mo.
 Howard, John A., forgery, Burlington, Vt.
 Johnson, C. H., forgery, Albuquerque, N. Mex.
 Leonard, Jim A., swindle, Lewellen, Neb.
 Lubin, Morris, forgery, New York, N. Y.
 McKellop, Tom, swindle, Holdenville, Okla.
 McKellop, William, swindle, Holdenville, Okla.
 McKinley, Maynard, forgery, Idabel, Okla.
 McRae, J. W., swindle, Council Bluffs, Iowa.
 Massey, W. B., forgery, Blytheville, Ark.
 Norris, Frank, forgery, Clifton Heights, Pa.
 Outman, H., swindle, Kansas City, Mo.
 Parker, J. W., swindle, Denver, Col.
 Pearl, Ray, swindle, Woodburn, Ore.
 Quigley, Quentin, forgery, Watertown, S. D.
 Riche, A. L., swindle, Boston, Mass.
 Robinson, George, forgery, Albany, N. Y.
 Rossman, George P., swindle, Portland, Ore.
 Rowland, William, forgery, Hartman, Ark.
 Scott, Harold, forgery, Washington, D. C.
 Shockey, Pluma, forgery, Buffalo, Kan.
 Smith, Clarence Clark, forgery, Tulsa, Okla.
 Smith, D. K., swindle, Huntsville, Ala.
 Smith, J. T., swindle, Purcell, Okla.
 Smith, L. J., swindle, Laramie, Wyo.
 Spencer, H. E., forgery, San Francisco, Cal.
 Stevens, E. M., swindle, Millertown, Pa.
 Stone, George, forgery, Lindsay, Cal.
 Stone, Harry, forgery, Boston, Mass.
 Strother, Hursel, forgery, Clarksburg, W. Va.
 Stuart, Clarence B., forgery, Houston, Tex.
 Sturgis, R. E., swindle, Jennings, La.
 Swantes, Al. E., forgery, Artesia, Cal.
 Thomas, Jack, forgery, San Francisco, Cal.
 Vanderlip, William, forgery, Park Rapids, Minn.
 Ward, Erret, forgery, Wichita Falls, Tex.
 Wheeler, Charles, forgery, Lockport, N. Y.
 Wheeler, Nellie, forgery, Lockport, N. Y.
 Whisenant, Henderson J., forgery, Pasadena, Cal.
 White, Della, forgery, Kansas City, Mo.
 Wick, Stephen A., swindle, Lakeview, Ohio.
 Wills, Joseph A., forgery, Atlantic City, N. J.
 Wilson, Pearl, forgery, Waverly, Va.
 Wise, Tessie, forgery, San Francisco, Cal.

BURGLARS AND HOLD-UP ROBBERS.

Ashley, John, hold-up, Stuart, Fla.
 Boley, Walt., burglary, Greenwood, Ark.
 Clark, Alonzo, hold-up, Terilton, Okla.
 Dropp, B. W., attempted hold-up, Tacoma, Wash.
 Estes, Louis, hold-up, Stroud, Okla.
 Heaton, Bert, hold-up, Bingham, Utah.
 Hembree, Fred, burglary, Andale, Kan.
 Howard, George F., burglary, Andale, Kan.
 Johnson, Charles H., hold-up, Stroud, Okla.
 Johnson, F. A., burglary, Sewanee, Tenn.

King, Alex., burglary, Lincoln, Ala.
 McCabe, Tom, burglary, Greenwood, Ark.
 Maxfield, A. G., hold-up, Stroud, Okla.
 Pfeffer, Joe, burglary, Sewanee, Tenn.
 Powells, John, burglary, Lincoln, Ala.
 Sawyer, Claude, hold-up, Stroud, Okla.
 Schapper, Peyton, burglary, Andale, Kan.
 Somers, Frank, burglary, Sewanee, Tenn.
 Spess, James, hold-up, Terilton, Okla.
 Stanfield, Thomas, burglary, Andale, Kan.
 Starr, Henry, hold-up, Stroud, Okla.
 Straum, William Arthur, burglary, Greenwood, Ark.

STATISTICS OF PROTECTIVE DEPARTMENT

	Awaiting Trial etc. September 1, 1914.	Arrested since September 1, 1914.	Arrests in May, 1915	Total.	Convicted.	Discharged or Acquitted.	Escaped, Fugitive, Dead, or Inmate.	Awaiting Trial.
Forgers.....	*91	201	25	226	172	55	9	81
Burglars.....	..	17	3	20	6	1	..	13
Hold-up Robbers.....	3	23	..	23	10	4	2	10
Sneak Thieves....	..	1	..	1	..	1
	*94	242	28	270	188	61	11	104

*We are removing the name of Edwin A. Curtis from the Awaiting Trial list of September 1, 1914, and are changing the statistics accordingly. His arrest was erroneously reported.

RULES OF THE PROTECTIVE COMMITTEE

1. Upon receipt of notification by the General Secretary, Five Nassau Street, New York City, or the nearest office or correspondent of the William J. Burns International Detective Agency, Inc., of an attempted or successful perpetration of fraud or crime upon a member of this Association in its banking rooms, or in the rooms of such branches as are members, either by forgery, check-raising, worthless or bogus checks, swindle, sneak theft, robbery, holdup or burglary therein, the committee will at once use its best efforts to apprehend the criminal. No action, however, will be taken unless immediate notice is given, and a case once committed to the Association cannot be taken out of its hands nor the offense condoned or compromised. If for any reason whatsoever no prosecution takes place when the member is in a legal position to aid in the prosecution, and fails to do so, such member shall reimburse the Association for all expenses incurred in connection with the case reported.

2. In reporting cases the member agrees to swear out a warrant for the criminal concerned when his identity has been determined; or a John Doe warrant at once in States where permitted. The committee relentlessly pursues both amateur and professional criminals in cases of attempted or successful fraud or crime upon members of the Association but cannot take cognizance of such offenses where perpetrated upon other than members, or of so-called "inside jobs" where the offender is an officer or employe of a member. The committee relies upon the State, county or local authorities to arrange for the extradition and the payment of expense incident to the return of a prisoner. The committee will not pay witness fees, and will not be responsible for any expense incurred for protective work, which has not been previously authorized.

