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Controlling the Country's Gold Supply

DR. A. C. MILLER, of the Federal Reserve Board, spoke to the Indiana Bankers Association on the Federal reserve system with particular reference to managing the gold supply so as to meet a foreign drain. By way of preface Dr. Miller sketched the remarkable commercial and financial changes that have taken place since the beginning of the European war and the remarkable influx of gold into this country. All these changes, he said, point to the assumption of a new position in the economic world for the United States and its obligation to assume the responsibilities that attach to the position. "Banking responsibility," he asserted, "always attaches to countries which are financially strong and able. The American banker is clearly destined to have not only a place of larger importance in the affairs of his own country, but to play a role of first importance in the affairs of other countries."

The great banking problem which will come with the end of the war is that of devising effective ways of dealing with our gold supply, Dr. Miller said. There is no doubt that the gold which the European nations have been sending us because they must now have our goods, they will endeavor to get back from us after the war because, without it, it is doubtful if they could re-establish

their position as trading nations. Dr. Miller said he was not unimpressed by the suggestion that the "commerce of the future will be organized upon some basis of barter and credit which will dispense with the necessity of having the liberal supply of gold necessitated under the old ways of international trading and banking;" but he said it would be highly unsafe for us, "as the leading gold-holding nation of the world, to predicate our banking policies upon the supposition that gold is destined not to return to its former position of supremacy as the medium of international payment and account after the close of the war."

Dr. Miller summed up the methods by which Europe will seek to recover some part of her gold supply as follows: (1) The establishment of credits here to be taken out in gold; (2) the establishment and maintenance of discount rates sufficiently high to attract some part of our supply of floating capital, and (3) the establishment of a favorable balance of trade, which would require gold remittances by us. He continued:

"We now have more gold than we need. The hard necessities of war have obliged Europe to send us gold in excess of our normal and proper requirements. Prices for commodities generally have been driven up by leaps and bounds. There are many things that we need from Europe much

more than we do gold, and in return for which we should be glad and ready to part with our surplus stock of gold. Good financial policy on our part will, therefore, be directed not toward undertaking to make provision against a return of gold to Europe, but toward making provision for its return by a gradual, orderly and well-controlled process. What dimensions the gold movements to Europe may be expected to attain to we can only conjecture. Thus far we have received since August 1, 1914, \$631,097,000 more gold than we have exported. If we assume, further, that the rapidity with which the return will be made will be approximately identical with the rate at which we have received it, we would be within the limits of safe calculation if we fixed upon some \$500,000,000 or \$600,000,000, at the present time, as the gold export demand which the banking system of the country might be called upon to meet within a period of two years. If the war runs another year we may have to take more millions of European gold and might have to raise correspondingly the approximate amount of gold which might have to be returned to Europe. I say 'might' rather than 'would', because of my firm expectation that we shall not have to return so large an amount. Assuming, then, that we may have to return in the course of some two years \$500,000,000 or \$600,000,000 of gold, how is our banking machinery prepared to cope with the problem of its orderly management?

"The total gold holdings of the United States at this time, are estimated at \$2,600,000,000. Of this amount approximately \$280,000,000 is in the treasury of the United States, the balance being distributed amongst the banks of the country, including the Federal reserve banks and the hands of the general public. Over \$500,000,000 is held by the member banks of the Federal reserve system, over \$300,000,000 is estimated to be held by state banks and trust companies, and the rest, it may be conjecturally estimated, is in the hands of the general public. The total amount of gold held in and by the Federal reserve system is \$616,000,000 (October 13, 1916). This is made up of \$406,000,000 held by the Federal reserve banks and \$210,000,000 held by the Federal reserve agents. It should not be inferred, however, that all of the \$616,000,000 held in the Federal reserve system is free gold available to meet a foreign drain. After allowing for reserves and, in addition, for a forty per cent. reserve against Federal reserve

notes now secured by gold in the hands of the Federal reserve agents, which could be replaced by the deposit of eligible commercial collateral to secure such notes, the amount of the Federal reserve system's available gold may be set down as \$345,000,000. This is the largest amount of gold that has ever been massed under effective and unified banking control in this country. To many it will seem altogether sufficient to answer any probable needs. But it will be prudent in making our calculations to take note of the *possibilities* as well as the *probabilities*, and to accept \$500,000,000 or \$600,000,000 as the amount of the possible gold demands that might be made upon us. The practical problem confronting the managers of the Federal reserve system is, therefore, how best to proceed in undertaking to mobilize from the extensive gold supply of the country outside of the Federal reserve system an amount of gold which will bring the free holdings of the system up to, say \$500,000,000 or \$600,000,000; that is to say, how to bring under the control or management of the Federal reserve banks an additional potential of \$400,000,000 of gold, of which \$260,000,000 would be over and above the required reserves.

"In England, France and Germany the marshalling and handling of the gold supply has long been regarded as the problem and responsibility of the great central banks, and the methods approved in their experience and practice will be our best guides in finding the solution for our problem. Because the general banking habits of our country parallel those of England much more closely than they do those of continental Europe, it would seem that in developing our banking machinery for the purpose of managing the gold export problem, the analogy of the Bank of England rather than that of either the Reichsbank of Germany or the Bank of France would be the one most likely to suggest or indicate the methods to be followed by us.

"The main difference between the banking methods of England and of continental Europe concerns their habits with respect to the use of the bank note and the bank check. The central banks of France and Germany are primarily note-issuing banks, deposit credits holding a very unimportant place among their liabilities. The bank note is their most characteristic form of credit, the means by which they build up their gold holdings, issuing their notes in exchange for gold and then holding

the gold among their working assets. Without the note they could not function.

"In England, the situation is very different. There, the bank note has a very subordinate place, and as a form of currency is rapidly growing obsolete. It was long since effectively superseded in the preference of the English banking community by the deposit and checking account. The Bank of England issues no credit currency. Its notes are practically bullion certificates, and yet the Bank of England sustains a more intimate, vital, responsible and strategic relation—as a reserve holding bank—to the whole banking and credit structure of England than that of any other of the great central banks. The great joint stock banks of England have long recognized their dependence upon the Bank of England, and maintain the larger part of their banking reserves with the Bank of England in the form of deposit credits. How successfully this system has worked is one of the proudest chapters in the history of British banking, and it was this system which the framers of the reserve system had in mind when they provided for the establishment of a similar relationship between the banks of our country and the Federal reserve banks; with this difference, that the deposit of a certain percentage of the banking reserves of the member banks with the Federal reserve banks, was made a legal requirement instead of being left to the voluntary action of the banks.

"The recent amendments to the Reserve Act relieve member banks henceforth of the necessity of holding any fixed percentage of their legally required reserves in vault, and leaving them free to carry such portion as they see fit with their Federal reserve banks, thus opening a natural way of adding to the cash holdings of the reserve banks. A similar result could, of course, have been reached by introducing into the Federal Reserve Act a freer system of note issue by the reserve banks patterned after the model of the German or French systems, but such a solution would, in my judgment, be attended with such grave dangers and be so ill adapted to American banking conditions and practices and the fundamental principles of our system of regional reserve banking that it could not but be viewed with serious misgiving by those who appreciate that the note issue system of the Federal Reserve

Act makes every reasonable provision for the issue of an elastic bank note currency without inviting its abuse. I therefore regard the recent amendment to the Reserve Act allowing the member banks to increase their reserve deposits with their reserve banks, without limitation or restriction except such as their own judgment of their interests and necessities may impose, as one of the most important steps that could have been taken in the further development of the Federal reserve system. It provides a simple, direct and natural way of strengthening the reserve banks as that becomes necessary, and forestalls any occasion for resort to alternative methods of doubtful expediency.

"The situation in which we now happily find ourselves as a consequence of the opportunity thus given for the development of a closer relationship between the Federal reserve banks and their member banks, is that the American banking system, of which the reserve banks are the very heart and center (as managers of the country's banking reserve) can be made as strong for handling the problems and conditions which may confront us, as you member bankers are willing to make it. I repeat with all emphasis that the object of this new provision of the law allowing, but not requiring, the deposit of member banks' vault reserve money in their Federal reserve banks, is to strengthen the gold position of the reserve banks. I do not doubt that it can be so used as to afford an effective solution of any gold problem which may confront us. Without any inconvenience or risk to themselves, without unduly trenching upon their cash holdings in vault or till, the member banks of the Federal reserve system can easily spare the amount of cash which will be necessary to bring up the free gold holdings of the Federal reserve banks at the present time to \$500,000,000 or \$600,000,000.

"The further solution of the problem is, therefore, in your hands. We have a splendid piece of machinery in the reserve system, and you have it in your hands to make it an engine of gigantic power for handling, as an orderly and well-controlled process, any gold export movement that may set in, by bringing your spare cash to your Federal reserve banks, as the law contemplates you should and will do.

"It should not be overlooked that there are methods of tapping the community's extensive holdings of gold which are outside of the banks, and in any event let us not lose sight of the fact that gold lost by the banks to meet a foreign drain would, in the natural course, be replaced from the community's holdings quite speedily. Only the first impact of a foreign demand for gold would be felt by the banks. The ultimate incidence of such a demand would be the now superabundant gold stores of the community. Gold holdings in the hands of the general community are estimated, at the present time, to amount to the huge aggregate of \$900,000,000, and dissatisfaction is not infrequently expressed with the fact that our circulation should be so substantially made up of gold in the pockets of the people instead of being replaced by some form of credit currency. But the experience of the greatest trading and banking nations shows that a solid substratum of gold in the general circulation of a country is one of the surest foundations of a secure banking and financial system. It is wrong to assume that gold thus distributed in the channels of circulation cannot be effectively mobilized when occasion arises and be drawn into the banking reserves. The European nations in recent months have given us some impressive examples of such mobilization. I believe that the floating gold supply of the United States is a matter quite largely within the control of the banks of the country, and that the banks will exercise that control in their own interest and in the interest of the country, as it becomes necessary.

"The moment that gold grows in demand for the purpose of meeting foreign shipments and replenishing reserves, banks which are now indifferent or careless as to whether they pay out over their counters in response to currency demands gold certificates, national bank notes or Federal reserve notes, will begin to discriminate. They will segregate their gold certificates, and as the withdrawal of these from general circulation reduces the volume of the community's necessary currency, the banks will find it to their interest to meet counter demands for cash by taking out Federal reserve notes. In other words, gold and gold certificates will be reserved for such uses as cannot be met by the Federal reserve notes—to wit, meeting a foreign demand for gold, or increased bank reserves—and the Federal reserve currency will be substituted to the extent that the circula-

ting medium of the country requires it. Because at the present moment we are the only considerable country that is on a gold basis and have acquired on settlement of the international trade balance a volume of gold that has made gold so redundant in this country that gold certificates are for the moment a cheap medium of circulation, we should not hastily assume that changed conditions will not reverse the process and lead by natural and inevitable means to a substitution of the Federal reserve note in large measure for the gold certificate. The whole question of the attitude to be adopted in the matter of the control of our gold supply turns upon whether we shall continue to have faith in the natural and normal processes of money and trade or whether we are going to allow ourselves to be frightened into assuming that things have so changed that those processes are going to fail, and that henceforth we shall have to resort to artificial shifts and manipulations.

"Nor should we overlook the extraordinary ability of the country to protect itself against any violent loss of gold by using for this purpose some part of the extensive holdings of European securities which we have recently acquired. To date we have purchased European securities to the extent of \$1,227,000,000. These are all of short maturity, the amounts maturing in the years 1917 and 1918, which presumably will see the close of the war amounting to no less than \$360,000,000.

"Finally, let us not overlook the powerful instrument of control which the reserve banks possess in a movable discount rate for protecting their own and the country's gold supply, should it be threatened with too large or too sudden a foreign drain. This is the method employed by the great reserve and central banks in England and Europe. It is in particular the method, the use of which has been most effectively developed and extensively applied in England, whose money market has been more exposed than that of any other country to foreign demands for gold, because of her extensive and intimate commercial relations with the world, and because of her position as the world's principal gold market. Whenever the Bank of England has found that gold is being drawn out of the London market too rapidly it has raised the bank rate so as to make the process of withdrawal more expensive, and thus to temper it to what the banking situation could stand. This method has been so

frequently employed that a rise of the bank rate is commonly regarded as the most accurate barometer of the English reserve situation. And it is also the means by which the Bank of England exercises a strategic control over English banking at times when such control is all-important.

"It must be admitted that frequent changes of discount rates are in and of themselves not desirable. Stability of rate is a great advantage to industry and the internal banking situation, but too much stability of reserve bank rates must not be expected in a country whose money market has attained the international importance which ours has, at least for the present, and which it will continue to hold so long as its position in international trade is that of a creditor, and so long as it has a vast stock of gold to be dispensed. At any rate, whatever internal disadvantages may attach to a changeable discount rate, there it is, a powerful weapon for exercising a control over the reserve and gold situation by the Federal reserve banks at critical times and should not be omitted from our calculation when examining our protective capacity against an undue drain of gold. It would be an especially effective and necessary weapon against any attempt of European markets to bid away gold from us more rapidly than would be consistent with our interests by raising their discount rates.

"More than that, it would be an effective method by which the reserve banks could throw upon the many powerful banks of the country which have large holdings of cash and foreign commitments, their proper part of the burden of supplying gold for foreign shipment, should they be unduly disposed to divert demands made upon them to the Federal reserve banks. Indeed, demands for foreign gold remittances would make themselves felt in the first instance, as a demand by customers of these banks. To meet such demands, they would have the alternative of taking the gold out of their own accumulations or of drawing it out of Federal reserve banks by rediscounting or open market sales. But it is not to be expected that the reserve bank managers would sit idly or carelessly by and allow their gold reserves to be needlessly depleted, when they could stop such depletion by the simple device of raising their rates, unless, or until, a situation had arisen which was beyond the ability of the ordinary banks to

handle with their own resources and without difficulty.

"This survey shows that there are many elements that enter into the problem of handling our gold supply and many factors that enter into the organization of the machinery for most effectively mobilizing it. It may be convenient before dismissing the subject to assemble them in a summary statement. They are:

"1. Europe may be expected in time to recover a large part of the gold she has sent us. There being no present method of estimating the probabilities, attention must be paid to the possibilities.

"2. Europe having sent us thus far over \$630,000,000, prudent calculations will address themselves toward considering how an amount of \$500,000,000 or \$600,000,000 of gold might best be mobilized for the purpose of meeting a foreign drain should it attain such a magnitude.

"3. The Federal reserve banking system, including therein the member banks, possesses over \$1,366,000,000 in cash, of which over \$1,100,000,000 is gold (which is something short of one-half of the total gold supply of the country), the remainder being exchangeable for gold at the treasury of the United States.

"4. The total gold within the immediate control of the Federal reserve banks amounts to \$616,000,000, of which \$345,000,000 may be regarded as free gold; that is, the amount of gold lending power without any impairment of reserves.

"5. To raise the gold lending power of the reserve banks to the point which would be necessary to enable them to meet (what is, however, in view of present probabilities unlikely) possible demands of \$500,000,000 or \$600,000,000, approximately \$400,000,000 would have to be added to the reserve banks' deposits in order to give them, after setting aside the necessary reserve of thirty-five per cent., additional free gold to the amount of \$260,000,000.

"6. This amount can be spared from vault cash now carried by member banks without unduly reducing their holdings of till money, and therefore presents the basis for the solution of the problem.

"7. Gold lost by the banks to meet foreign demands would be replaced by mobilizing a part of the present floating supply of the community

into their hands. This process would be facilitated by the ease with which Federal reserve notes could be issued to fill the void created by the withdrawal of gold or other forms of currency.

"8. The reserve banks possess an important leverage of control in their movable discount rate, which could be adjusted to counter any undue attempt of foreign markets to attract our gold by high rates.

"9. An important element of strength in the protective capacity of the country against an undue drain of gold is the heavy holding of foreign government obligations which run off in the next few years.

"10. Finally, while realizing the importance of being alive to the possibilities in the face of a situation for which there is no parallel, let us not make the mistake of "overtraining" or of committing ourselves in advance to any definite single expectation of what is going to occur and in consequence lose that balance of judgment which will not hesitate to shape and reshape its conclusions in accordance with the facts as they develop or change. An essential element in our preparation will be the ability to deal with the unexpected as well as with the anticipated.

"The conclusion warranted by this survey is that the reserve banks can easily, with the co-operation of their member banks, be put in a position where they can master any situation which may arise. Some of you may say that it is a heavy bill that I am proposing the Federal reserve system shall draw on you, but this is the day of the bankers' acceptance in our new American banking system, and I feel confident, from the hearty co-operation that our member banks and the country by and large are giving to the Federal reserve system, that you will not protest the draft but accept it. The bankers of the United States had to meet several severe tests in the trying months following the outbreak of the great war. Those tests they met intelligently and resolutely. I do not doubt that this one also will be met intelligently and resolutely, and that each one of our members will take careful reckoning of what he can do and do it. The Federal reserve system is but two years old, a brief period in the life of a great and new banking experiment,

but the system has already made a record for itself and an enviable place in our new financial and credit system, and is no longer an experiment in the sense that there is any uncertainty as to its high value and entire practicability. It is experimental only in the sense that there may be a question as to how rapidly it will develop its full potentialities as the shaping and guiding influence in American banking affairs.

"A great banking system is as much a matter of growth and development as it is of legislation. The English banking system, which has long been the admiration of the world, has grown up pretty much without legislative guidance or interference. The Federal Reserve Act, wonderfully conceived as it was, is, therefore, to be regarded only as a beginning. It presents an opportunity. How fully the opportunity will be improved to develop a great system must depend upon the combined wisdom and vision of those of us immediately charged with the administration of the law, and the thousands of you bankers who are the partners through whom and with whom we must work. A banking system is not a set of principles and rules formulated and imposed by law, but a set of habits, practices, customs and traditions forged out of experience. Many of these that are excellent we already possess, but others we still must make. I have pointed out one of the most important of these. Our country has become a dominant factor in the world of commerce and the world of finance. Our banking system must be made equal to our matchless opportunities and our large responsibilities. Whether we like or desire the great changes which have come to pass in our position in the world of affairs makes little difference; we are there by fate and circumstance and we must cultivate the habits of thought and action which will enable us to do our part and do it well. Parochial habits and provincial customs must yield to the larger way of viewing things and the larger way of doing things. This is the day of banking co-operation and the Federal reserve system is your rallying point in helping yourselves and helping the country. It is the best rallying point that banking wisdom and legislative ingenuity have ever given the bankers of any country, and is worthy of your every confidence and support."

Reserve Board Cannot Confer Trust Company Powers in Michigan

Opinion of The Michigan Supreme Court In Which It Was Decided That Section 11 (k) Cannot Be Given Application In That State—The Second Case In Which A State Supreme Court Has Declared That This Provision Contravenes State Law.

IN the suit brought by Grant Fellows, attorney-general of Michigan, on the relation of the Union Trust Company, the Detroit Trust Company, the Security Trust Company, the Michigan Trust Company and the Grand Rapids Trust Company against the First National Bank of Bay City to test the right of the bank to exercise the trust company functions conferred on it by the Federal Reserve Board under Section 11 (k) of the Federal Reserve Act, a decision was handed down on September 26. The court held that the exercise of trust company functions by a national bank in Michigan under such circumstances was in contravention of state law. The decision of the court was unanimous but Justice Brooke and Justice Ostrander reached their conclusions by different processes. The opinion follows:

Brooke, J.

The attorney-general of the state upon the relation of five trust companies, organized and doing business under the laws of the state, by permission granted, filed in this court an information in the nature of a proceeding *quo warranto* against the First National Bank of Bay City, by means of which relators question the right of the respondent to act as trustee, executor, administrator, and registrar of stocks and bonds under such rules and regulations as the Federal Reserve Board may prescribe, it being claimed that the exercise by respondent of said franchises and privileges is in contempt of the people of the State of Michigan and to their great damage and prejudice.

To the information so filed respondent interposed a plea setting out that it is a duly organized and chartered banking association incorporated under the National Bank Act approved June 3, 1864, and the amendments thereto. Further answering, respondent says that under and by virtue of an Act

of Congress, commonly known as the Federal Reserve Act, approved December 23, 1913, entitled "An act to provide for the establishment of Federal reserve banks, to furnish and elastic currency, to afford means of re-discounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes," it filed its application to become a member bank, and thereafter subscribed for and paid for its proportion of stock in the Federal reserve bank, whereupon it then became and now is a member bank of said Federal reserve bank, district 7. Further, that thereafter on the 13th day of April, 1915, on application made therefor, the said Federal Reserve Board granted to said respondent the right to act as trustee, executor, administrator and registrar of stocks and bonds, and that by virtue of such permit respondent is now acting as trustee for bondholders and is named as mortgagee and trustee in a certain real estate mortgage given to secure to said bondholders the payment of the bonds mentioned in said mortgage and interest thereon. Further, that respondent is advised that such grant and permit are not in contravention of any state or local law in Michigan, and that there is no public grievance to be remedied by this proceeding, but that the writ is prosecuted solely for the private benefit of the relators and other trust companies that may be hereafter organized in the state.

To this plea the attorney-general demurred upon the following grounds:

"1. Because Section 11 (k) of the Federal Reserve Act in pursuance of which the Federal Reserve Board has attempted to confer upon the respondent the right to act as trustee, executor, administrator and registrar of stocks and bonds, under such rules and regulations as said Board may prescribe, is unconstitutional and void, in that Congress is not authorized by the constitution of the United States to confer upon national banks the corporate powers specified in said section.

"2. Because even if Congress itself possessed the authority to confer upon national banks the corporate powers specified in said Section 11 (k), it cannot lawfully delegate such authority to the Federal Reserve Board.

"3. Because the granting of the corporate powers specified in said Section 11 (k) by the Fed-

eral Reserve Board to the respondent is in contravention of the laws and policy of this state."

The question presented arises under Section 11 of the so-called Federal Reserve Act, which, among other things, provides:

"The Federal Reserve Board shall be authorized and empowered * * *

"(k) To grant by special permit to national banks applying therefor, when not in contravention of state or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said Board may prescribe."

The first proposition raised by counsel for respondent is that the courts of this state are without jurisdiction to oust a corporation organized under the laws of the United States, or to enjoin such corporation from enjoying any or all of its franchises within the borders of the state. Although the question is not raised by the pleadings we think it should be determined adversely to the contention of counsel for the Federal Reserve Board, who, by leave of the court, were permitted to file a brief and make an argument in the case. No one would contend that final determination as to the validity of an act of Congress does not rest with the Federal Supreme Court, but it is, we think, equally clear that any state may by *quo warranto* inquire by what authority any corporation exercises corporate rights within its borders. In the case of *Attorney-General v. A. Booth & Co.*, 143 Mich. 89, this court said:

"But proceedings in the nature of *quo warranto* are appropriate to try the right of a domestic corporation to act as such, and there would seem to be a close analogy between such a case and one where the proceeding is resorted to for the purpose of inquiry into the right of a foreign corporation to do business in another state than that of its organization, as it would be in the home state if the object was to inquire into a right to exercise franchises in excess of those granted." (Citing Cases.)

See also *Mason v. Perkins*, 78 Mich., 308; *People v. Pres.*, etc. of *Manhattan Co.*, 9 *Wendell* (N. Y.), 351; and cases cited in note 1, page 1426 of 32 *Cyc.*

The legality of the incorporation of the respondent is not questioned by the proceeding. The inquiry is instituted for the purpose of ascertaining whether its assumption of a franchise to do business of a certain character is with or without legal warrant, that business being apparently not inci-

dental to banking, and peculiarly under the control of state laws. Counsel for relators present the question under three heads as follows:

"1. Congress is not authorized by the constitution to confer upon national banks the corporate powers specified in Section 11 (k).

"2. Section 11 (k) is void because Congress cannot delegate to the Federal Reserve Board the authority attempted to be conferred by this Section.

"3. The granting of authority to the respondent to act as trustee, executor, administrator, and registrar of stocks and bonds is in contravention of the laws and policy of this state."

In view of our conclusions hereinafter stated with reference to the third point raised, we find it unnecessary to give any consideration to points numbered one and two. An extended discussion of these questions will be found in the recent case of *People of the State of Illinois v. Brady*, 110 N. E., 864 (Ill.).

Assuming then for the purposes of this case that Congress might constitutionally enact the legislation in question, it will be noted that under subsection (k) of Section 11, the Federal Reserve Board is authorized to grant permission to national banks to act as trustees, etc., only when the exercise of such franchises by them is "not in contravention of state or local law."

It is vigorously asserted on behalf of relators that such authorization to the national banks of this state is in contravention of state law.

On the other hand, counsel for respondent state their position upon this point as follows:

"(a). There is nothing in the state law specifically prohibiting any person or corporation from acting as trustee, executor, registrar, etc.

"(b). In the absence of specific prohibition, the powers of a natural person to act in these capacities are unlimited and the powers of a corporation are limited merely by the statute under which it is organized.

"(c). If national banks were organized under state laws it might be argued that an express prohibition was not required but that the mere absence of a state enabling act would be sufficient to limit their powers.

"(d). Inasmuch as national banks are organized under the acts of Congress, no state enabling act is necessary to enable them to carry on a trust company business any more than to enable them to carry on a banking business. Their authority is found in Section 11k, and if this section is constitutional, its operation can be suspended only by a

prohibitory statute of the state and not merely by the lack of an enabling state statute.

"(e). The authority given by Section 11k does not compel the appointment of national banks as fiduciaries in any case, but merely permits such appointment. The probate court or other appointing authority still has full freedom of choice. A mere enlargement of such field of choice contravenes no law of the state.

"(f). All references to state 'policy' are beside the point. The state legislature has had at least one regular session since the passage of the Federal Reserve Act, and has not seen fit to prohibit national banks from qualifying as fiduciaries under Section 11k. Its omission to do so is more significant than the claimed existence of a state policy, which is at best doubtful, vague and indefinite. The courts should require the state to express itself positively and definitely on a question of such importance."

Whether the subjects mentioned in Section 11 (k) are subjects over which the state has exclusive jurisdiction, or whether they or some of them may properly be subject to Federal legislation, it is not necessary to determine. As to estates of decedents, however, see *Dickinson v. Seaver*, 44 Mich., 624; *Lafferty v. People's State Bank*, 76 Mich., 35; *American Missionary Ass'n v. Hall*, 138 Mich., 247.

The real point in issue in this proceeding is whether the exercise by national banks of the power of trustees, executors, administrators, etc., is in contravention of local law.

An examination of our statutes clearly shows that the state has legislated very fully with reference to each of the subjects mentioned in Section 11 (k). Chapter 285, *Howell's Statutes*, 2nd Ed., is devoted to the subjects of trusts, and therein provision is made for their definition, regulation and administration. Chapters 290 to 301, *Howell's Statutes*, 2nd Ed., are devoted to laws relative to the settlement of estates of deceased persons. The administration of testate estates is by the law of this state committed to the *person* named as executor therein, if he is legally competent. 4 H. S. Sec. 11026. In the case of interstate estates "to one or more of the *persons* hereinafter mentioned." 4 H. S. Sec. 11040.

While the word "person" is not defined in the statutes cited, to read them it is to be convinced that the term was used in a restricted sense and was meant to apply to natural persons only and not to corporations. In reaching this conclusion we are

not unmindful of the rule of construction, 1 H. S., Sec. 2, Sub-Sec. 12, which provides:

"The word 'person' may extend and be applied to bodies politic and corporate, as well as to individuals."

Our determination as to the meaning of the word "person" as employed in these statutes is in harmony with the decision in *Grunow v. Simonitsch*, 21 N. D., 227, where in construing a similar statute, the court said:

"It is perfectly apparent to our minds that, until the enactment of §4682, the legislature had in the most explicit manner expressed its intention to restrict such appointments to natural persons. By the enactment of §4682 it is equally apparent that the only change which the legislature intended to make in the existing statute was to permit domestic annuity, safe deposit, and trust companies to receive such appointments."

See also *In re Avery's Estate*, 92 N. Y., Supp., 974.

In the year 1889 the law relative to the administration of estates of decedents and the execution of trusts was changed by enactment. 3 H. S., 2nd Ed., Chap. 104, Sec. 6476-6510. Except as authorized under said Act, no corporation in Michigan is empowered to administer trusts or to act as executor or administrator. A corporation may exercise only those powers conferred upon it by its charter under the law of its organization. In authorizing certain corporations organized under the Act in question to execute trusts and administer estates, the legislature imposed very stringent conditions. It fixed a minimum capitalization; required the investment of a certain percentage of the capital in specified securities, and compelled the making of a fixed deposit with the state treasurer for the purpose of securing depositors and creditors; it fixed the number and qualifications of directors and imposed penalties for fraud and embezzlement; it regulated investments of the corporation; and provided for complete supervision by the State Banking Department. Many of the regulations imposed could not be complied with by a national bank.

We cannot agree with the contention of counsel for respondent that relators must point to a specific prohibitory law—a law absolutely forbidding national banks to engage in the activities specified in Section 11 (k). We believe that the legislature, in the enactment of the so-called trust,

deposit and security statute, and clothing corporations organized thereunder with the powers therein defined, by unavoidable inference excluded all other corporations within the state from the exercise of those powers. Nor do we believe, as claimed by counsel for respondent, that the exercise of such powers by national banks is at most contrary only to the *public policy* of the state. Our legislation upon the subjects involved in Section 11 (k) is so particular and so voluminous, and the legislative purpose so apparent, that we have no hesitation in reaching the conclusion that the exercise of the powers enumerated in Section 11 (k) by national banks would be "in contravention of state law." While the decision in *People of the State of Illinois v. Brady, supra*, on this point is to the same effect, it is, of course, not controlling because the court of Illinois dealt with the statutes of that state, which differ materially from our own. The same may be said of the decision in *Appeal of Woodbury, 96 Atl. (N. H.), 299*, which arose in the State of New Hampshire.

It is, we think, clear that in the enactment of the trust legislation adverted to, the state sought to surround the execution of trusts and the administration of estates by corporations with certain safeguards which would be wholly lost if national banks within the state were permitted to exercise the functions enumerated under Section 11 (k).

We are therefore of opinion that the prayer of the relators should be granted and that the respondent be enjoined and excluded from acting as trustee, executor, administrator, and registrar of stocks and bonds. No costs will be allowed.

OSTRANDER, J. (concurring.)

If at any time in this state only individuals could execute trusts, manage trust funds, and act as executors and administrators of estates of deceased persons, it was because there had been created no corporation with the proper powers. It was within the power of the legislature to create, or provide for creating, such corporations, and, as the idea of corporate usefulness and efficiency became general, the legislature did provide for creating corporations with the necessary powers. Having provided for the creation of such domestic corporations, foreign corporations, having proper powers, may, upon such reasonable conditions as the legislature may prescribe, be admitted to do in this state what domestic corporations may do.

There is, therefore, no state policy opposed to corporate trustees, executors or administrators. No corporation, and for that matter no individual, can in any event act in any of the capacities indicated except by appointment. And a corporation, or an individual, in such relations, is governed by the laws of the state and the orders of state courts.

National banks are, and are not, foreign corporations. They are creatures of Congress, agencies of the Federal Government, domesticated in the state. They may sue and be sued in the courts of the state, but the powers they shall possess, their management and control are beyond state authority, except that a bank like the respondent may not exercise certain powers—cannot lawfully possess them—in contravention of state law.

No state law is contravened—opposed, come into conflict with—because a corporation exercises the indicated powers, nor by the Act of Congress creating national banks. The legislature has not declared that national banks in this state shall not have the right

"to act as trustee, executor, administrator, or registrar of stocks and bonds."

And I do not find in Brother Brooke's opinion reference to any state law that will be contravened if respondent continues to act in the indicated capacities. To say that because the legislature has required certain things of a domestic corporation as a condition to the exercise of the right and cannot require the same, or similar, things from national banks, therefore the exercise of the right by national banks will be in contravention of state law, seems to me to be an unsound argument. The bank is here, with such structure as Congress has given it, and Congress has in terms declared that among other functions it may perform that of a trustee, etc., if anybody wants it to. The mere element of safety of a fund is a matter to be considered by those applying to the corporation to take charge of it, or by the court making an appointment. That one may regard the domestic corporation as the safer institution is not evidence that the other, if it acts, acts in contravention of state law. *Certain* safeguards surrounding the execution of trusts, etc., by domestic corporations are lost when individuals are appointed to execute them. The individual does not *therefore* act in contravention of state law.

Mr. Justice Brooke does not point out in what way, if respondent acts within its apparent powers, the operation of any state law governing trusts, or the settlement of estates, will be interfered with. I am not content to rest so important a decision upon a doubtful inference. We must come, I think, to the question: Has respondent the power which the court is informed it is exercising? The question is a delicate one, less so, I think, because of the decisions of the Federal court.

The power of Congress to create national banks is sustained upon the theory that a bank, to the government,

"is a convenient, a useful and essential instrument in the prosecution of its fiscal operations." *McCulloch v. State of Maryland*, 4 Wheat, 316.

"The bank is not considered as a private corporation, whose principal object is individual trade and individual profit, but as a public corporation, created for public and national purposes. That the mere business of banking is, in its own nature, a private business, and may be carried on by individuals or companies having no political connection with the government, is admitted; but the bank is not such an individual or company. It was not created for its own sake, or for private purposes. It has never been supposed that Congress could create such a corporation. * * * Why is it that Congress can incorporate or create a bank? This question was answered in the case of *McCulloch v. The State of Maryland*. It is an instrument which is 'necessary and proper' for carrying on the fiscal operations of the government. Can this instrument, on any rational calculation, effect its object, unless it be endowed with that faculty of lending and dealing in money which is conferred by its charter? If it can, if it be as competent to the purposes of government without as with this faculty, there will be much difficulty in sustaining that essential part of the charter. If it cannot, then this faculty is necessary to the legitimate operations of government, and was constitutionally and rightfully engrafted on the institution. * * * The operations of the bank are believed not only to yield the compensation for its services to the government, but to be essential to the performance of those services. Those operations give its value to the currency in which all the transactions of the government are conducted. They are, therefore, inseparably connected with those transactions. They enable the bank to render those services

to the nation for which it was created, and are, therefore, of the very essence of its character, as national instruments. The business of the bank constitutes its capacity to perform its functions, as a machine for the money transactions of the government. Its corporate character is merely an incident which enables it to transact that business more beneficially." *Osborn v. The Bank of the United States*, 9 Wheat, 738.

See, also, *Farmers' & Mechanics' Nat. Bank v. Dearing*, 91 U. S., 29.

Undoubtedly, all presumptions are in favor of the constitutionality of the Act in question here and Congress is the judge, within the exercise of its powers, of the functions a national bank should perform. But in the reasoning of the judges, in the opinions to which I have referred, I find, I think, a conclusive argument supporting the proposition that Congress has exceeded its constitutional powers in granting to banks the right to act as trustees, executors and administrators. If for mere profit it can clothe this agency with the powers enumerated, it can give it the rights of a trading corporation, or a transportation company, or both. There is, as Judge Marshall points out, a natural connection between the business of banking and the carrying on of Federal fiscal operations. There is none, apparently, between such operations and the business of settling estates, or acting as a trustee of bondholders. This being so, there is in the legislation a direct invasion of the sovereignty of the state which controls not only the devolution of estates of deceased persons and the conducting of private business within the state, but as well the creation of corporations and the qualifications and duties of such as may engage in the business of acting as trustees, executors and administrators. Such an invasion I think the court may declare and may prevent by its order operating upon the offending agency. I concur, therefore, in the conclusion arrived at by Mr. Justice Brooke.

Stone, C. J., Kuhn, Bird, Steere and Person, JJ., concurred with Ostrander, J.

Moore, J. I think the writ ought to be granted for the last reason stated by Justice Ostrander.



MEETING OF ADMINISTRATIVE COMMITTEE

THE Administrative Committee of the Association met in the General Offices in New York City on Monday and Tuesday, October 30 and 31, the following members of the Committee being present: President P. W. Goebel, Chairman; Messrs. Charles S. Calwell, Philadelphia, and Richard S. Hawes, St. Louis, and General Secretary Farnsworth, Secretary to the Committee. The time of the Committee was largely taken up with going over routine business of the Association; authority being vested in this Committee to act on all matters of importance between the sessions of the Executive Council.

Atlantic City, Sept. 24, 1917

To the Administrative Committee was assigned by the Executive Council the final decision as to the time and place for holding the next annual convention, and all other details in connection therewith; also, the time and place for the Spring Meeting of the Executive Council. Atlantic City was selected for the annual convention of 1917; the week of September 24 as the date; and the Marlborough-Blenheim Hotel as official headquarters.

As there is a perfected business organization in Atlantic City which works in conjunction with the bankers of the city, this organization will handle the matter of hotel accommodations. Already contracts have been made with all of the hotels for prevailing rates, which are not increased during convention periods. **The Association will have nothing whatever to do with the proposition of hotel reservations and those desiring accommodations should communicate direct with the hotels of Atlantic City.** A list of these hotels will be published in the December issue of the JOURNAL-BULLETIN.

The Bankers of Atlantic City are alive to the importance of the convention of the American Bankers Association and will co-operate with its citizens and business men in giving the Association a most successful convention. The time selected is the one considered the most desirable, as weather records for the past several years show generally good weather at that period.

Council to Meet at Briarcliff

Briarcliff Lodge, Briarcliff Manor, N. Y., was selected as the place for the Spring Meeting of the Executive Council. The dates for the meeting are May 7, 8 and 9. The hotel will be given over exclusively to the use of the Association for the Spring Meeting. The Executive Council is now quite large and with the members of various Committees and Sections will fill the hotel to its capacity.

State Bank Section

Details in connection with the activities of the new State Bank Section were thoroughly discussed, the meeting being also attended at this point by J. H. Puelicher of Milwaukee and C. B. Hazlewood of Chicago, President and Chairman of the Executive Committee (respectively) of the State Bank Section. Active work will commence immediately and it is expected that the State Bank Section will be made one of the strongest and most active in the Association. Mr. George E. Allen was chosen as Secretary of the Section, which duties he will perform in connection with his work as Educational Director of the American Institute of Banking; an assistant will be assigned him.

Legislation

The following resolution was unanimously adopted by the Administrative Committee:

Resolved, That the Committee on State Legislation be authorized to draft and recommend a suitable amendment to state holiday laws which will make valid the payment of checks by banks and other transactions on Saturday half-holidays in states which make Saturday afternoon a half-holiday, as well as in other states where, by reason of the provisions of the Negotiable Instruments Act, such transactions are of questionable validity."

The Administrative Committee was apprized of the present condition of the Association as applies to membership—16,229; the increase since September 1 being 213; also, that drafts drawn for account of annual dues were almost fully paid; further, as to the financial condition of the Association as shown by the cash balances—all of which were considered in most satisfactory shape.

WHY THE CONVENTION WAS A SUCCESS

RECURRENT reports from observers and publications add to the strength of the verdict that the annual convention of the American Bankers Association in Kansas City was not only a success but an unusual achievement. The product of the convention in ideas for banking improvement and in discussion of financial questions has been printed and reprinted and made the subject of general comment. The extensive use of the material is in demonstration of the value of the annual meetings as the point of crystallizing banking sentiment through the interchange of ideas and experience and the formulation and co-ordination of banking policies.

The profit of those who attended the convention is only more direct than of those who found new inspiration in the accounts of the proceedings. The public shares in the benefit, while a new impetus is given to those concerned with transforming the lessons learned into legislative action.

In many ways the success of the convention was due to the very adequate preparations and the detailed care with which the plans were executed by the Kansas City bankers and those of them who were drafted for active duty as members of the various committees. Persons who have had no actual experience in such affairs, do not realize the tremendous amount of detail work involved in the handling of a convention. Even the experienced may be staggered by the outlay of effort

necessary to the conduct of a convention of such size and variety as that of the American Bankers Association. There were, for instance, eighteen local committees in Kansas City. Including the Ladies' Entertainment Committee, these committees had 174 members. The work of preparation was under way for nearly a year, but there was tense activity, in which the energies of all committee members were engaged, for three months before the date of the convention. It is, of course, impossible to distribute this work evenly, no matter how willing the individuals may be. Some bulks more heavily and in the process of co-ordinating effort the responsibility undergoes a centering process until it finally gathers its full weight and places it on the shoulders of the Executive Committee and then on the chairman of that Committee. In the case of the Kansas City convention this lucky or luckless man happened to be J. W. Perry, president of the Southwest National Bank of Commerce. If the credit for the success of the convention is distributed by a similar process and traced back to its individual source Mr. Perry must bear the burden of the compliment, divested, of course, of such weight as he can shoulder on those who worked so loyally with him. Kansas City may well be proud that it could produce from the ranks of its bankers a coterie who could so well handle the unaccustomed work of a great convention.

AGRICULTURAL COMMISSION'S PROGRAM

Chairman Hirsch, of the Agricultural Commission of the American Bankers Association, has assigned to the members of the commission the following states:

Fred W. Hyde, cashier National Chautauqua Co. Bank, Jamestown, N. Y.:—Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York.

O. N. Sams, president Merchants National Bank, Hillsboro, Ohio:—Pennsylvania, Virginia, West Virginia, Ohio, New Jersey, Delaware, Maryland.

J. R. Wheeler, vice-president Farmers & Merchants Union Bank, Columbus, Wis.:—Wis-

consin, Michigan, Minnesota, North Dakota, South Dakota, Indiana, Illinois.

W. C. Gordon, cashier Farmers Saving Bank, Marshall, Mo.:—Missouri, Iowa, Nebraska, Kansas, Colorado, New Mexico.

B. C. Powell, cashier Merchants & Planters Bank, Camden, Ark.:—Arkansas, Tennessee, Kentucky, North Carolina, South Carolina, Georgia, Florida.

J. Hirsch, vice-president Corpus Christi National Bank, Corpus Christi, Tex.:—Alabama, Mississippi, Louisiana, Texas, Oklahoma, California, Arizona.

Fred N. Shepherd, cashier Empire National Bank, Lewiston, Idaho:—Idaho, Wyoming, Montana, Washington, Oregon, Utah, Nevada.

The chairman has suggested the following line of work for the members of the commission:

First—Ascertain whether or not each state association in your district has a standing committee on agriculture. If not, endeavor to have the president of the association appoint such a committee.

Second—It is highly important that each state committee appoint a banker as chairman of agriculture in every county of such state. If you can succeed in getting this done by the state associations in the territory assigned to you, I consider that you will have achieved an important piece of work which, in time, will mean much for the agricultural development of your district.

Third—Ascertain the number of county agents employed in each of the states located in your territory. Then endeavor to outline a practical campaign to increase the number of these county agents. This can be done under the provisions of the Smith-Lever Act, as outlined in the recent report to the American Bankers Association. I am writing the Hon. Bradford Knapp, in charge of the demonstration work of the south, to mail each of you ten copies of the Smith-Lever Act and ten reports showing the results of the demonstration work. Each state chairman should receive copies of these. You will also receive a statement showing the funds available for use in each state. Information for the use of the county chairmen may be obtained from the Department

of Agriculture which will give great assistance in every case in which it is asked.

The next issue of the *Banker-Farmer* will contain a copy of the agricultural credit rate sheet. We hope to have the president of each state association appoint a special committee who will work with the agricultural committee for the purpose of bringing into general use these credit rate sheets. Such a campaign was made in Texas. The agricultural committee of the Texas association sent out a field agent who visited the bankers of Texas and explained to them the merits of the agricultural credit rate sheet and urged its adoption. Over 200 Texas bankers are now using this form. In this campaign the Texas Agricultural College and the Texas Bankers Association co-operated, but the entire expense was borne by the Agricultural College. I think it is likely that the agricultural colleges of the various states will be glad to participate in a similar movement. The expense is nominal. The Agricultural Commission of the American Bankers Association will have these rate sheets printed in quantities and furnish them to bankers at a low price. City bankers should be as much interested in this as the country bankers.

The renewal of state subscriptions for the *Banker-Farmer*, Mr. Hirsch says, is very important. State associations are supplied with the paper for less than the cost of publication and banks find it very practical to subscribe for the paper in quantities and distribute it among their farmer customers.

APPRECIATION OF INSURANCE WORK

Menominee, Mich., Oct. 13, 1916.

Mr. B. A. Ruffin, Secretary,
Insurance Committee, A. B. A.,
Richmond, Va.

Dear Sir: We have your favor of the 10th returning our burglary policies and fidelity bonds and thank you for the suggestion therein named. We are asking our bonding company to substitute the forms suggested.

We wish to take this occasion to thank you for the assistance given us in this manner. Believe that it is the work of the A. B. A. that has brought

about this standardization of forms and that it is a wonderful benefit not only to the members, but also to all banks in the country. I have attended my first convention of the Association this year, and the benefits of this wonderful organization are being brought home to me more and more each year.

A long life and even greater success to the A. B. A. Insurance Committee.

Very truly yours,

R. H. PACKARD, Cashier,

The Commercial Bank of Menominee.



THE PHILIPPINE NATIONAL BANK

By H. PARKER WILLIS

The JOURNAL of The American Bankers Association has had occasion before this to refer to the new honors won by Dr. H. Parker Willis, Secretary to the Federal Reserve Board, in effectively organizing the splendid new banking institution of the Philippine Islands, known as the Philippine National Bank. Mr. Willis has just returned from Manila, where he employed a six months' leave of absence from his duties at Washington in getting the new bank launched. The JOURNAL is pleased to present to its readers the following paper prepared by Mr. Willis in which as much information as is now valuable as to the character and operations of the bank is set forth.

THE establishment of the Philippine National Bank during the spring and summer of 1916 is a step that should be of material interest to American business men. The institution is a fully equipped commercial bank doing a regular discount, deposit and foreign exchange business. It is also vested with the function of making loans to agriculturists, and is permitted to issue bonds secured by real estate mortgages properly safeguarded. A large part of its business, however, is of a purely commercial type, and it has already undertaken substantial dealings in foreign bills, opening relations with the principal Chinese and Japanese markets, as well as with New York and continental points. On October 25 the resources of the bank were 37,000,000 pesos, an increase of about 8,000,000 pesos as compared with its last published statement issued about July 15. While the institution is a government bank in the sense that a majority of its stock is owned by the government, the remainder of the stock is open to private subscription, and is being taken up in that way. It has its own officers and board of directors, and is operated by them. Its relations with the government are those of a fiscal agent and depository, but it is seeking and obtaining all classes of regular commercial business that are open to it. The bank has begun work with the intention of making a specialty of facilitating trade between the United States, the Philippines and the Far East, and expects at an early date to open an agency in New York for the greater convenience of American business men interested in Oriental trade.

In China and Japan there are a number of notable financial institutions of large capitalization, sound management and broad connection.

Some of these institutions have branches in Manila, and in the past have done a large part of the banking business there. There has been no particular reason why they should seek to develop the resources of the Philippines, and they have very naturally confined themselves quite generally to exchange operations and a limited class of commercial business in the Islands. The Philippine Government has been obliged at times to supplement local banking activities by making advances sometimes through local banks to agricultural and other enterprises in the Philippines. As is well known, it has also exercised through its Treasury Department, the function of maintaining the currency of the Islands at a parity with gold. The Philippine National Bank is thus a natural outgrowth of conditions. It has taken over most of the banking functions heretofore exercised by the Government, and is supplementing existing banking institutions by undertaking operations which they have not cared, or else were not fitted to take up. It is to some extent unavoidably occupying the same field as these other institutions, but it in no wise seeks to limit their business, but rather to further it. Since its organization it has stood ready at all times to rediscount any paper that might be presented to it locally. As time goes on it may be expected to establish branches elsewhere in the Orient, and particularly in the Philippines, endeavoring to develop trade between the Philippines and other parts of the East. For the present its work will naturally be confined to the Islands themselves. It has already established twenty-seven agencies in as many provincial capitals where deposits are received and exchange sold, and at which applications for loans may be filed for transmission to Manila. Two regularly organized branches, one at Iloilo, the other at Cebu, are to be opened in the near future. The bank has established relations with correspondents in Japan and on the China coast, and is dealing in exchange upon eastern points generally.

Interest of Business Men

The interest of American business men in the new institution should be genuine if they are at all concerned in eastern trade. Inasmuch as the Philippine National Bank is endeavoring to do a

substantial local business in discounting paper and assisting the development of Philippine enterprises, it will be in position to help in the expansion of Insular business to a very material extent. One of the chief objects of its creation has been that of carrying further and rendering more effective the work of the former Agricultural Bank which had already rendered good service in helping the growers of sugar, hemp, tobacco, and other agricultural enterprises. The new bank has carried thus during the present season, large loans to sugar growers, and has made considerable advances in connection with the milling of sugar. American business men who are looking to the development of a market in the Philippine Islands are being accommodated through the usual methods of opening credits and financing importations after the usual method adopted by well-organized banks; while as already seen, local exporters are being aided in bringing their products to market, as well as in merely financing the shipment of them abroad.

Relations with Government

The Philippine National Bank has an authorized capital of 20,000,000 pesos, or \$10,000,000 gold, of which 10,100,000 pesos has been subscribed by the government of the Philippine Islands. The remainder of the stock is offered to public subscription and is being gradually sold and taken up. The subscriptions of the government extend over a period of five years; but enough has already been, or is in process of being, paid in to furnish, with the private subscriptions already made, an actual cash capital of about \$2,000,000 gold. As the depositing of insular, pro-

vincial, and municipal funds throughout the Islands with the bank is made mandatory, except in cases where public well-being may demand the use of other banks, the institution already has control of a large volume of public funds, its resources approximating 37,000,000 pesos, or more than \$18,000,000 dollars in American currency. The responsibility of the government for the institution is, of course, not measured merely by the fact that it owns a majority of the stock but also by the fact that the actual cash means of the government are so largely in the hands of the bank. The Act creating the institution provides for a careful auditing of the accounts of the banks at regular intervals by the auditor of the Philippine Islands, who is also made auditor of the bank, while a regular bank examination by the Treasury Department, to ascertain the general condition of the institution, is likewise provided for. The Insular government is thus responsible in three ways for the good conduct of the institution—as stockholder, as depositor, and as examiner or supervisor of its operations.

The president and vice-president are appointed by the governor of the Philippine Islands; and since the government controls a majority of shares it will always control a majority of the board of directors. The president of the bank is chairman of the board of directors.

The transaction of general government business, the receipt of current deposits, payment of government checks, making of remittances to foreign countries, and the like, are now in the hands of the Philippine National Bank, so that its duties are distinctly of a public character from many standpoints.

FARM MORTGAGE BANKERS ELECT OFFICERS

At its annual convention held in Memphis, the Farm Mortgage Bankers Association elected F. W. Thompson, of Chicago, president for the third time. Other re-elections were Kingman N. Robins, Rochester, N. Y.; C. M. Corwin, Minneapolis, Minn., and J. E. Maxwell, Kansas City,

Mo., vice-presidents. Frank Hayden, Memphis, Tenn.; Edgar F. Hyatt, Richmond, Ind., and D. H. McKee, Des Moines, Iowa, comprise the new board of governors.

The place for holding the next convention will be selected by the board.



MORTUARY RECORD OF ASSOCIATION MEMBERS

REPORTED DURING OCTOBER, 1916

- Abeel, O. A., vice-president Alcester National Bank, Alcester, S. D.
- Ardrey, William P., vice-president Deposit and Peoples Bank, Paris, Ky.
- Arnold, W. F., president Plainfield Savings Bank and vice-president and cashier City National Bank, Plainfield, N. J.
- Beinhauer, Louis, Sr., director Western Savings and Deposit Bank, Pittsburgh, Pa.
- Bennett, J. W., president Flanagan and Bennett Bank, Marshfield, Ore.
- Birkett, Thomas, president Dexter Savings Bank, Dexter, Mich.
- Bowes, Richard, vice-president Hoboken Bank for Savings, Hoboken, N. J.
- Brady, James, president First National Bank, Harrisburg, Pa.
- Brooks, I. W., president and director Brooks National Bank, Torrington, Conn.
- Campbell, E. T., director National Bank of Commerce, St. Louis, Mo.
- Cassell, W. H., president Security Trust Company, Lexington, Ky.
- Coles, George A., president Middletown Savings Bank, Middletown, Conn.
- Croll, M. S., president National Bank of Topton, Topton, Pa.
- Dirks, Peter, vice-president Chamberlain State Bank, Chamberlain, and president Citizens State Bank, Oacoma, S. D.
- Doremus, Walter L., trustee Montclair Savings Bank, Montclair, N. J.
- Draper, Frederick E., director National City Bank and Troy Trust Company, Troy, N. Y.
- Eaton, Oliver, vice-president First National Bank, Wood River, Nebr.
- English, Joseph R., vice-president First National Bank, Vallejo, Cal.
- Hatch, Charles N., vice-president First National Bank, New Milford, Conn.
- Heffner, Albert D., vice-president New First National Bank, Columbus, Ohio.
- Howe, H. M., director Trademens National Bank, Philadelphia, Pa.
- Johnson, James W., vice-president Eureka Bank, Eureka, Kan.
- Keesler, W. J., president Hawley Bank, Hawley, Pa.
- Knight, M. G., cashier Bank of Largo, Largo, Fla.
- Knowles, A. W., vice-president Bank of Topeka, Topeka, Kan.
- Kurtz, S. E., president Bank of Hazleton, Hazleton, N. D.
- Lacey, E. S., chairman advisory committee Continental and Commercial National Bank, Chicago, Ill.
- Leigh, B. W., of B. W. Leigh and Company, Norfolk, Va.
- Lucas, John, director Central State Bank, White Sulphur Springs, Mont.
- Mack, M. D., cashier First National Bank, Gasport, N. Y.
- Meyer, Henry, director German Savings and Loan Society, San Francisco, Cal.
- Moore, C. W., president First National Bank of Idaho, Boise, Idaho.
- O'Connor, E. L., president Peoples National Bank, Margaretville, N. Y.
- Oetting, William, vice-president Security State Bank, St. James, Minn.
- Ogden, Joseph W., director Morristown Trust Company, Morristown, N. J.
- Ohlandt, Nicholas, president German Savings and Loan Society, and director Anglo and London Paris National Bank, San Francisco, Cal.
- Pierson, Edward S., president and director Claremont Bank and Greenville Banking and Trust Company, Jersey City, N. J.
- Plumb, Willard S., treasurer City Savings Bank, Bridgeport, Conn.
- Post, August, president First National Bank, Moulton, Iowa.
- Purcell, John B., president First National Bank, Richmond, Va.
- Raiter, C. F., assistant cashier First National Bank, Alexandria, Minn.
- Sanders, G. W., president Bank of Davis, Davis, Cal.
- Spencer, Charles C., vice-president State Bank of Monticello, Monticello, Ind.
- Stiles, Frank G., vice-president Manhattan Savings Institution, New York, N. Y.
- Warnick, John K., vice-president and director First National Bank, and director Farmers National Bank, Amsterdam, N. Y.
- Willis, J. W., president First National Bank, Greenville, Tenn.
- Wyman, James M., director Central Savings Bank and Trust Company, Orleans, Vt.
- Zang, A. J., vice-president German American Trust Company, Denver, Colo.



TITLE CHANGES AMONG BANK OFFICERS

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the *JOURNAL-BULLETIN* during September and October. Members will confer a favor by notifying this department immediately of any such changes. Publication will be made only on receipt of information direct from members:

CALIFORNIA

Berkeley—W. F. Morrish, formerly assistant cashier First National Bank, now cashier, succeeding F. C. Mortimer, resigned.

Madera—J. G. Roberts, formerly cashier Commercial National Bank, now president, succeeding Return Roberts, resigned. J. E. Newman, formerly assistant cashier, succeeds Mr. Roberts as cashier.

Santa Rosa—Frank P. Doyle, formerly cashier Exchange Bank, now president, succeeding the late Manville Doyle. A. J. LeBaron, formerly assistant cashier, now cashier.

IDAHO

Rogerson—J. S. Bussell, formerly cashier Bank of Rogerson, now president, succeeding H. J. Failing, resigned. Louis Harrell, director, now vice-president succeeding W. R. McMillan, who becomes cashier.

MINNESOTA

St. Paul—Mark C. Skinner, formerly vice-president Commercial National Bank, Great Falls, Mont., now vice-president First National Bank, St. Paul.

MISSOURI

Kansas City—Thornton Cooke, formerly vice-president Fidelity Trust Company, now president Midwest National Bank.

St. Louis—E. B. Clare-Avery, formerly treasurer Missouri Bankers Association, now secretary

Citizens Commercial Trust Company, Buffalo, N. Y.

Springfield—J. C. Williams, formerly assistant cashier Bank of Commerce, now cashier.

NEW YORK

New York City—W. P. Conway, formerly treasurer Guaranty Trust Company, now vice-president; N. D. Putnam, secretary, has been made treasurer; Fred W. Ellsworth, formerly publicity manager, now secretary, and R. B. F. Randolph, formerly chief clerk, now assistant secretary.

New York City—Wm. M. Rosendale, formerly assistant cashier Market & Fulton National Bank, now cashier, succeeding the late John H. Carr.

Schenectady—William G. Shaible, formerly secretary and treasurer Citizens Trust Company, now vice-president and treasurer. Frank D. King, formerly assistant secretary, now secretary and assistant treasurer.

WASHINGTON

Chehalis—Daniel T. Coffman, formerly assistant cashier Coffman, Dobson & Company, bankers, now cashier and director, succeeding the late James A. Urquhart.

WISCONSIN

Whitewater—Jerome Baker, director White-water Commercial & Savings Bank, now president, succeeding D. O. Kinsman, resigned.

MEMBERSHIP DUES

Drafts amounting to \$246,055 on September 1 were forwarded by the Treasurer of the American Bankers Association, E. M. Wing, through the Batavian National Bank of La Crosse, Wis., to all members of the Association.

It is gratifying to report that about \$231,880 of these drafts have been honored, which is indeed an excellent showing. After making allowances for those who have not paid, owing to advice of mergers, consolidations and withdrawals,

the total sum now outstanding will not exceed \$14,000. Under the Constitution and By-Laws annual dues are payable in advance as of September 1, and members who have not paid their dues are requested to remit promptly to the Treasurer, care the Batavian National Bank, La Crosse, Wis., in New York, Chicago or St. Louis funds, and a celluloid insert showing dues paid to September 1, 1917, will then be forwarded, which can be placed in the metal membership sign.

REGISTRATION AT THE ASSOCIATION OFFICES

DURING THE MONTH OF OCTOBER, 1916

- Adams, Nathan, vice-president American Exchange National Bank, Dallas, Tex.
 Blair, Frank W., president Union Trust Company, Detroit, Mich.
 Brundage, Frank D., assistant manager, Knauth, Nachod & Kuhnc, New York City.
 Busey, N. H., Jr., New York City.
 Calwell, Charles S., president Corn Exchange National Bank, Philadelphia, Pa.
 Chamberlain, Edwin, vice-president San Antonio Loan & Trust Company, San Antonio, Tex.
 Christian, A. E., Cleveland, Ohio.
 Clement, John B., vice-president and treasurer Central Trust Company, Camden, N. J.
 Cline, Howard, cashier Lake Placid National Bank, Lake Placid, N. Y.
 Corey, Roy A., treasurer Malden Morris Plan Company, Malden, Mass.
 Drake, A. R., assistant treasurer Boston Morris Plan Company, Boston, Mass.
 Dunning, D. M., president Auburn Savings Bank, Auburn, N. Y.
 Fulton, R. I., cashier County National Bank, Clearfield, Pa.
 Geist, A. W., president Cia Occidental de Almacanje, Guadalajara, Mexico.
 Goebel, P. W., president Commercial National Bank, Kansas City, Kan., President American Bankers Association.
 Green, Wm. S., vice-president Wayne County and Home Savings Bank, Detroit, Mich.
 Guthrie, W. S., vice-president Farmers National Bank, Oklahoma City, Okla.
 Guthrie, Mrs. W. S., Oklahoma City, Okla.
 Hale, P. O., vice-president Bank of Italy, San Francisco, Cal.
 Hawes, R. S., vice-president Third National Bank, St. Louis, Mo.
 Hazelwood, Craig B., assistant to president Union Trust Company, Chicago, Ill.
 Hughes, E. J., vice-president First National Bank, Milwaukee, Wis.
 Kromer, Edgar S., cashier Bank of North America, Philadelphia, Pa.
 Manning, Charles N., president Security Trust Company, Lexington, Ky.
 Mills, C. B., vice-president Scandinavian American National Bank, Minneapolis, Minn.
 Newell, F. A., assistant cashier National Shawmut Bank, Boston, Mass.
 Puelicher, J. H., vice-president and cashier Marshall & Ilsley Bank, Milwaukee, Wis.
 Rankin, J. F., cashier Bank of South Charleston, South Charleston, Ohio.
 Seybolt, Floyd, National Bank Examiner, Lincoln, Nebr.
 Smith, Theodore G., vice-president International Trust Company, Denver, Colo.
 Smith, Mrs. Theodore G., Denver, Colo.
 Taggart, D. C., National City Company, Westfield, N. J.
 Taylor, Orla B., vice-president Wayne County and Home Savings Bank, Detroit, Mich.
 Vought, Frederick D., Industrial Finance Corp., New York City.

OFFICIAL NOTICE

STATEMENT FOR OCTOBER 1, 1916

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

Of the Journal of the American Bankers Association published monthly at New York, N. Y., for October 1, 1916.

STATE OF NEW YORK, COUNTY OF NEW YORK.—Before me, a Notary Public in and for the State and county aforesaid, personally appeared Arthur D. Welton, who, having been duly sworn according to law, deposes and says that he is the Editor of the Journal of the American Bankers Association and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor and business managers are:

Name of—	Post office address—	Name of—	Post office address—
Publisher, Fred E. Farnsworth	5 Nassau St., New York, N. Y.	Managing Editor, None	
Editor, Arthur D. Welton	5 Nassau St., New York, N. Y.	Business Manager, Arthur D. Welton	5 Nassau St., New York, N. Y.
Associate Editor, George Lewis	5 Nassau St., New York, N. Y.		

2. That the owners are: (Give names and addresses of individual owners, or, if a corporation, give its name and the names and addresses of stockholders owning or holding 1 per cent or more of the total amount of stock.)

The American Bankers Association
 5 Nassau St., New York, N. Y.
 James K. Lynch, First National Bank, San Francisco, Cal., President, and Fred E. Farnsworth, 5 Nassau St., New York, General Secretary.)

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders and security holders, if any, contain not only the list of stockholders, and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is.....

(This information is required from daily publications only.)

(Signed) ARTHUR D. WELTON.
(Signature of editor.)(Signed) HERRICK J. SKINNER.
Notary Public, Bronx County, No. 60.
Certificate filed in New York County, No. 429, New York.
(My commission expires March 30, 1917.)

Sworn to and subscribed before me this 11th day of Sept., 1916.

[SEAL.]

Form 3526.—Ed 1916.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

RIGHT OF NATIONAL BANK TO ADVERTISE FOR SAVINGS ACCOUNTS AND USE WORDS "SAVINGS DEPARTMENT"

The following questions, and others of like nature, have been received by General Counsel from officers of national banks, with request for an opinion:

1. From New York. "We are about to establish a savings department and are writing to inquire if there is anything in the laws of the state of New York prohibiting us from using the words 'savings department' in this connection; in other words, is there any legal obstacle in this state preventing us from using and advertising the words 'savings department' to designate this special branch of our business. We would also like to know if we can be prevented from advertising for savings accounts to be placed in our savings department at interest."

2. From New York. "We are thinking of getting out some literature to our interest depositors and knowing that there is a law on the statute books of the state of New York prohibiting banks from using the word 'savings' in their advertisements, we are anxious to know whether that law would prevent a national bank using the word."

3. From New Jersey. "Is it permissible for national banks to use 'savings bank department' in their advertising?"

Similar questions have arisen from time to time during the last ten years or more, in view of the laws of a number of states prohibiting others than savings banks from using the word "savings," or advertising as a savings bank or soliciting or receiving deposits as a savings bank. These questions have been made the subject of official opinions by attorneys general in several states; they also have been considered by the courts in a few cases. Before discussing and attempting to reach a conclusion upon the precise questions above submitted, it will be useful to review the prior opinions which have been expressed upon the subject.

THE NEW YORK LAW AND OPINIONS THEREON

The original legislation in New York provided, with penalty for violation:

"No bank, banking association, individual banker, firm, association, corporation, person or per-

sons shall advertise or put forth a sign as a savings bank, or in any way solicit or receive deposits as a savings bank. * * *" Laws 1882, Ch. 409, sec. 283.

This law was supposed by many to confer upon savings banks a monopoly of the class of business usually transacted by them. The state having organized a system of savings banks to receive on deposit the savings of wage earners especially, and having carefully restricted the investment of such deposits intended, presumably, to prohibit other banks or persons from doing this kind of business. But the New York Court of Appeals in 1898 refused to put such a construction upon the law. The Binghamton Trust Company, which commenced business in 1890, solicited and received deposits in substantially the same manner as is done by savings banks and, in short, carried on the business of a savings bank as a branch of its banking operations. For so doing, suit was brought against it to recover the penalty. The Supreme Court held that the statute was not intended to confer upon savings banks a monopoly of the savings bank business but that the purpose of the statute was to protect the public against deception by prohibiting any person or corporation from soliciting and receiving deposits under the claim or pretense of being a savings bank. This decision was affirmed by the New York Court of Appeals which held that the Act did not forbid the carrying on of a business substantially as that of a savings bank but only forbade the conducting of such business under claim or pretense of being a savings bank. *People v. Binghamton Trust Co.* 139 N.Y. 191.

Following this decision, the law was amended in 1905 to provide:

"No bank, banking association, individual banker, firm, association, corporation, person or persons shall make use of the word 'savings' in their banking business, or advertise or put forth any advertising literature or sign as a savings bank, or in any way solicit or receive deposits as a savings bank * * *" Banking Law, Section 131.

This, for the first time, prohibited the use of the word "savings" in the business of a bank other than a savings bank. In 1907, competition of national banks for savings accounts having sprung up, the Superintendent of Banks called upon the Attorney General of New York for his opinion "as to whether a national bank doing business in this state is prohibited from making use of the word 'savings' in their banking business or from advertising or putting forth any advertising literature or sign as a savings bank, or in any other way soliciting or receiving deposits as a savings bank." The Attorney General in an extended opinion pointed to the fact that national banks are citizens of, and subject to all the laws of, the state where such laws are not in conflict with the statutes of the United States and held "that national banks are limited strictly to the powers conferred upon them by the Acts of Congress; that such Acts do not confer upon them the power or right to conduct savings banks; that they have not the right or authority in their banking business to hold themselves out as savings banks or to advertise themselves as such; and that Section 131 of the banking law is applicable to all national banks doing business in this state."

Under the new banking law passed in 1914 (Chapter 369, Laws 1914), the above provision was again amended and national banks specifically included in the prohibition and penalty. The provision, which is now the law of the state, is as follows:

"No bank, banking association, trust company, individual, partnership, unincorporated association or corporation other than a savings bank or a savings and loan association shall make use of the word 'saving' or 'savings,' or its equivalent, in its banking business, or advertise or put forth any advertising literature or sign containing the word 'saving' or 'savings' or its equivalent, nor shall any individual or corporation other than a savings bank in any way solicit or receive deposits as a savings bank. * * *"

The denial of the right of a national bank in the state of New York to use the word "savings" in connection with its business or to advertise for savings deposits, rests upon the above opinion of the attorney general of the state; whether the New York statute is applicable to national banks has never been passed upon by any court, either state or Federal.

THE NEW JERSEY LAW AND ITS INTERPRETATION

In New Jersey, by Act approved April 21, 1876 (being Section 46 of the Savings Bank Act) it was provided, with penalty, as follows:

"That it shall not be lawful for any bank, banking association, firm, stock company, corporation or individual banker, to advertise or put forth a sign as a savings bank, either directly or indirectly, or in any way to solicit or receive deposits as a savings bank, except in the case of banks or deposit companies now authorized by law to receive deposits on interest, or banks incorporated under this act * * *"

The above is the law of New Jersey at the present day. It will be noted it is very similar to the original New York law. In 1903 arose the case of *Barrett v. Bloomfield Savings Institution*, 54 Atl. 542; affirmed 57 Atl. 1137. That was a bill in equity to restrain the trustees of a savings bank from liquidating the institution and creating a trust company in its stead, on the ground that such action would be a breach of trust. The injunction was granted. In the course of the opinion, Vice Chancellor Pitney (now an associate justice of the Supreme Court of the United States) said: "They (the trustees) say they were no longer obliged to keep up the organization of the savings bank and that it was no longer advisable to do so, because its continued prosperity was threatened by the competition (1) of a national bank and (2) by the trust company which they themselves had organized * * *. The forty-sixth Section of the present Savings Bank Act expressly prohibits any other banking institution from doing what is called a 'savings bank business;' and I know of nothing in the national law authorizing the creation of national banks which saves them from being subject to the provisions of that act. * * *. They further ask, what course they could pursue in order to meet the competition of the national bank; and the answer is, they could appeal to the law to prevent that bank from seeking savings deposits."

The above, of course, is an extra-judicial opinion not binding as a decision in the negative of the precise question of the right of a national bank to do a savings bank business and seek savings deposits; but as an opinion it is from a very high source. It will be noted that the Vice Chancellor differs, in his interpretation of the Act, from the New York Court of Appeals in their interpre-

tation of a similar act in the Binghamton Trust Company case. The Vice Chancellor's opinion is that the act which prohibits a bank to advertise or put forth a sign as a savings bank or solicit or receive deposits as a savings bank, absolutely prohibits the doing of a savings bank business or the seeking of savings deposits by other than a savings bank; the decision of the New York Court of Appeals is that an act of this kind does not forbid the carrying on of a savings bank business by an institution other than a savings bank, but only the conducting of such business under the claim or pretense of being a savings bank.

In addition to the opinion of Vice Chancellor Pitney that national banks in New Jersey are prohibited by the statute in question from doing a savings bank business, is the opinion of Attorney General McCarter to the Commissioner of Banking and Insurance under date of March 12, 1907, that a national bank doing business in New Jersey is subject to the prohibition of Section 46 of the Savings Bank Act and that in the absence of an express right to use the word "savings" in connection with its business conveyed by Act of Congress, the Federal law does not prevent the state from limiting the right to use that phrase to such institutions as comply with the strict rules governing savings banks.

THE NEW HAMPSHIRE LAW

In 1908 the question came before the Supreme Court of New Hampshire. *State v. Peoples Nat. Bank*, 70 Atl. 542. The laws of New Hampshire, 1907, prohibited all others, except savings banks and certain other institutions incorporated in the state, from making use of signs or advertising indicating that the business conducted is that of a savings bank and from receiving deposits and transacting business "in the way or manner of a savings bank." An action was brought against certain national banks, which operated savings departments, charging them with violation of this law because they received deposits and transacted business "in the way or manner of a savings bank." The Supreme Court of New Hampshire interpreted the provision as not intended to create a monopoly in favor of savings banks in the savings bank business but as intended to prohibit the adoption and use of methods of business so similar to those of local savings banks as to create the belief

on the part of depositors that they were receiving the protective security which is afforded to savings banks chartered and controlled by the laws of the state. This is similar to the New York interpretation. The court held the statute was undoubtedly intended to apply to national banks and said that it presents the important question whether the legislature had the power to legislate on the subject with reference to national banks. The court refrained from deciding this question on its merits, to afford opportunity for an authoritative decision of the question by the Federal courts. The question does not appear to have again been brought up in New Hampshire.

OPINIONS OF COMPTROLLERS OF THE CURRENCY

In 1905 in response to numerous inquiries, the Comptroller of the Currency issued the following circular form of letter:

"SIR: In reply to your letter of ———, relative to the right of a national bank to operate a savings department, you are respectfully informed that there does not appear to be anything in the National Bank Act which authorizes or prohibits the operation of a savings department by a national bank.

"Many national banks pay interest on deposits, the receipt of such deposits being evidenced either by entries in the pass-books of the depositors or by issue of certificates of deposit, as may be preferred. Deposits of this character must be shown in the reports of the bank, and loaned in the manner provided by the National Bank Act. This would prevent a national bank from accepting real estate collaterals which are deemed judicious for savings banks. All deposits, however, in a national bank are payable on demand, except when made the subject of special contract, but the right of a bank to make a contract of that nature is a matter for judicial determination.

"The expediency of a national banking association, organized for the purpose of doing a business of discount and deposit, engaging in the business of a savings bank is one for consideration and determination by the board of directors."

"Respectfully,

.....
"Comptroller."

In another circular (Treasury Department circular No. 2475), it is stated:

"There is nothing in the National Bank Act authorizing the operation of a savings department, and as the capital, deposits, and all other funds of a national bank may be loaned or otherwise invested

only in conformity with the provisions of the act, it follows that the sole business of a savings bank, which can be legally transacted by a national bank, is the paying of interest on deposits. The right to pay interest on deposits, by a commercial bank, has been established by practice and is recognized by the courts. The right of a national bank to pay interest on deposits necessarily carries with it the right to advertise that policy, but where, as in some states, the laws prohibit the use of the word 'savings' and the soliciting or receiving of deposits as a savings bank by banking institutions not authorized by state law to do a savings bank business, it is probable that the courts will hold the prohibition against the use of the word 'savings' applicable to national banks, but not the prohibition against soliciting and receiving interest-bearing deposits."

In the report of the Comptroller of the Currency for 1912, page 11, it is stated:

"It is evident that national banks and commercial banks generally are competing to a certain extent with the savings banks, and the reports show a steady increase in deposits of this character in national banks. There is nothing in the Federal law authorizing the establishment of a savings department by national banks, but as the right to pay interest on deposits is recognized, the position of the office is that the question of the conduct of a savings or interest department is a matter for the determination of the directors of each bank. Deposits in commercial banks are presumed to be subject to demand, but whether such institutions have the right to enter into a different arrangement with their customers is a matter for determination by the courts. Deposits, of whatever character, however, are subject to the various provisions of the National Bank Act with respect to their investment."

In this report the number of national banks reporting savings deposits on September 4, 1912, was 3,268 out of a total of 7,397.

SUMMARY OF OPINION PRIOR TO FEDERAL RESERVE ACT

From the foregoing it appears that prior to the Federal Reserve Act, the weight of official opinion was that a national bank had no right to use the words "savings" or "savings department" in its advertising or to advertise for "savings accounts" so called, contrary to prohibitory provisions in state laws. At the same time the potent fact must be recognized in this connection that national banks all over the country had been, for years, doing these very things and that, except for

the single suit brought in the courts of New Hampshire against certain national banks charging them with violation of the state law, which suit was not decided on its merits, no attempt, so far as the records of the higher courts show, has ever been made by state authorities to prohibit national banks from using the word "savings" or advertising a "savings department" contrary to state laws. It would seem, therefore, that by force of custom and common consent national banks have been accorded the right to operate and advertise savings departments, free from prohibitory laws applicable to individuals and institutions other than savings banks.

THE FEDERAL RESERVE ACT AND SUBSEQUENT OPINION

Prior to the Federal Reserve Act, as stated by successive Comptrollers of the Currency, there was nothing in the National Bank Act which either authorized or prohibited the operation of a savings department by a national bank. The national bank was given authority under that Act, to receive deposits and there was nothing in the Act which prevented the bank from contracting to pay interest on these deposits and to repay them at a future time. Under this authority to receive deposits, many national banks, as shown, established and advertised savings departments and carried on this branch of their business, so far as receipt and withdrawal of deposits was concerned, very much in the same manner as savings banks, investment however being only as permitted by the national law.

The Federal Reserve Act of 1913, however, expressly recognizes the right of national banks to carry savings accounts. Section 19, relating to reserves, and differentiating between the reserves to be carried against demand and time deposits, defines these classes of deposits and in its definition of time deposits provides that they "shall comprise all * * * savings accounts and certificates of deposits which are subject to not less than thirty days' notice before payment."

In an opinion rendered by M. C. Elliott, counsel of the Federal Reserve Board on February 24, 1915, published in the *Federal Reserve Bulletin* for May, 1915, at page 18, he reaches the conclusion that national banks in California have the right to advertise for savings accounts, not-

withstanding the prohibitory law of California. We quote the published summary of his opinion:

"Section 49 of the Bank Act of the state of California provides that no banking association shall advertise savings or in any way solicit or receive deposits in the manner of a savings bank unless it is chartered as a savings bank under the California law.

"The superintendent of banks of California, by virtue of this act, has raised the question whether a national bank can, under the provisions of this state law, advertise savings accounts.

"The Federal law relating to the establishment and operation of national banks is superior to and controlling over a state law which might otherwise apply to or govern the operations of national banks. Congress having conferred on national banks the power to pay interest on time deposits, it is evident that the right to advertise and solicit such savings accounts is a necessary incident to the exercise of that power, and that no state law can interfere with its exercise."

We also quote the concluding portion of his opinion:

"I can not agree with Mr. Williams (the State Superintendent of Banks) that depositors would necessarily be led to assume that savings accounts received by national banks would be subject to investment according to state laws; and while national banks should not be permitted to advertise themselves as 'savings banks,' since they are not so designated in the act, power is specifically granted to member banks to receive interest-bearing accounts, including 'savings accounts,' and since they possess this power the right to advertise for such accounts would seem to be a necessary incident to its exercise. It is not believed, therefore, that the penalties prescribed by Section 49 of the Bank Act of the state of California could be legally enforced against a national bank which advertises that it will receive and pay interest on savings accounts."

Subsequent to this opinion, A. A. DeLigne, Attorney for the State Banking Department of California, has submitted a brief to the department in which he concludes:

"It seems clear that Congress has not invested national banks with the character of savings banks; that it is the duty of the state to protect the public from any deception that national banks are savings banks; that it is probable that many persons might be deceived into believing national banks were savings banks if they were permitted to advertise for savings accounts and that it is competent for the state legislature to determine that the use of that form of advertising might deceive the public and that the prohibition of the use of that form of ad-

vertising would not impair the ability and means of national banks to advertise for all kinds of business they are authorized to engage in. I am, therefore, of the opinion that the provisions of the Bank Act of the state of California prohibiting such form of advertising to banks, other than those qualified as savings banks under the state law, is valid in its application to national banks."

CONCLUSION

Irrespective of the question whether, before the Federal Reserve Act, national banks had a right to advertise a "savings department" and use the word "savings" in the face of prohibitory state legislation, which character of advertising was theretofore done to a large extent without attempted prosecution under state laws, it seems clear that the provision of Section 19 of the Federal Reserve Act that the time deposits of a national bank shall comprise "all savings accounts" of the character therein stated, is a recognition and declaration by Congress of the right of national banks to carry savings accounts and that the right to carry savings accounts necessarily includes the incidental right to advertise as a national bank for such accounts, to adopt the necessary rules and regulations as to their withdrawal and to operate and advertise a savings department in the handling of such accounts, subject of course to national law and regulation.

The conclusion seems warranted, therefore, despite state laws prohibiting other than savings banks from using or advertising the word "savings" or from soliciting or receiving deposits as a savings bank, or from transacting business in the way or manner of a savings bank, that it would be held within the power of a national bank, free from the control of state laws, to establish and advertise a savings department and for savings accounts, (in so doing necessarily using and advertising the word "savings") and to carry on such department in the same way or manner that a savings bank carries on its business, subject of course to the controlling provisions of the national law as to loans and reserve and the regulations of the Federal Reserve Board as to how such accounts must be carried.

This opinion does not go to the extent of asserting that a national bank can lawfully advertise or hold itself out to the public as a "savings bank." The institution is a national bank and not a savings bank and although it may have a

savings department and advertise for savings deposits, still its main characteristic is that of a national bank and its advertisement of its savings department and for savings accounts is the advertisement of a national bank. If the national bank should advertise that it was operating a "savings bank" and solicit deposits for the savings bank, this might be held unauthorized by Congress and to come within the application of state laws prohibiting banks other than savings banks from advertising or soliciting or receiving deposits as a savings bank. The advertising by a national bank of the words "savings bank department" (as suggested by an inquiry from New Jersey) might come within the scope of such prohibitory laws. Exactly where the line is to be drawn, is difficult to say; but as Congress has authorized national banks to carry savings accounts, it seems reasonably to follow that they, as

national banks, may rightfully advertise and use the word "savings," advertise for savings accounts and advertise and conduct a "savings department." So far as this is prohibited by state laws to non-savings banks generally, the prohibition is inapplicable to national banks in view of the permission of Congress to carry savings accounts. But national banks are not permitted by Congress to hold themselves out as savings banks, further than to carry savings accounts, with all that such permission implies, and the advertisement of a national bank as a "savings bank" or even of a "savings bank department," might be held to come within the prohibition of state laws, the underlying purpose of which is to protect the public from being deceived into supposing that an institution advertising as a savings bank is one chartered and its investments safeguarded by the laws of the state.

POWER OF CONGRESS TO GRANT TRUST POWERS TO NATIONAL BANKS

The Supreme Court of Michigan in *Fellows v. First National Bank* has decided that Congress has no power to confer trust functions upon national banks. The full text of the decision is published in this issue of the *JOURNAL*. It follows the decision of the Supreme Court of Illinois rendered last December in *People ex rel First National Bank of Joliet v. Brady* in which a similar conclusion was reached.

Section 11-k of the Federal Reserve Act, thus held to be unconstitutional, authorizes and empowers the Federal Reserve Board "to grant by special permit to national banks applying therefor, when not in contravention of state or local law, the right to act as trustee, executor, administrator or registrar of stocks and bonds under such rules and regulations as the said Board may prescribe."

The contention in the Michigan case, as will be seen, was that the above provision is ineffective for three reasons: (1) because Congress has not the constitutional authority to confer such powers upon national banks; (2) because, even if Congress possessed the power, it cannot delegate such authority to the Federal Reserve Board; and (3)

because the granting of such powers would be in contravention of the state law.

Brooke, J., writing the opinion of the court, without discussing the first and second propositions, bases his decision upon the third ground; but Ostrander, J., who writes an opinion concurring in the conclusion, expresses doubt as to the validity of this third ground and bases his conclusion squarely upon proposition number one, that Congress has not the constitutional authority to grant trust powers to national banks. The remaining justices concur with Ostrander, J., so that the first proposition is the real ground upon which the decision is made.

In brief, the reasoning is that the constitutional power of Congress to establish a bank rests upon the fact that a bank is a necessary and proper instrument for carrying on the fiscal operations of the Government; that there is a natural connection between the business of banking and the carrying on of Federal fiscal operations while there is no natural connection between such operations and the business of settling estates and the acting as trustees for bond holders; therefore, the granting of such functions to national banks is

an invasion of the sovereignty of the states which exclusively control such subjects.

The Supreme Court of Illinois in *People v. Brady* considered the same three contentions that were urged in the Michigan case against the trust provision in question and passing upon them in the following order, held (1) that the delegation of authority to the Federal Reserve Board as provided in Section 11-k was not an unconstitutional delegation of legislative power but simply an administrative authority to make regulations or apply the legislative provisions, therefore not in itself invalid; but (2) the act, in so far as it attempts to confer trust powers upon national banks is unconstitutional and void; furthermore, (3) the regulation of trusts belonging exclusively to the state and not being a subject over which the Federal Government has been given control, any attempt to exercise such control would be "in contravention of the state or local law," as forbidden by Section 11-k of the Federal Reserve Act and would also be in violation of the Constitution.

The above summary may be of some slight use to aid in fixing in mind the progress of decision on

this question which will, of course, remain an open one until finally decided by the Supreme Court of the United States.

It is interesting to note the difference between the form of procedure in the Illinois case and in the Michigan case. The Illinois proceeding was begun by a petition for a writ of mandamus by the people on relation of the First National Bank of Joliet against the auditor of public accounts to compel the auditor to issue to the relator a certificate of qualification as provided under the Trust Act of Illinois. A demurrer to the petition was sustained and the writ denied. In the Michigan case the procedure consisted in the filing by the Attorney General of the state upon relation of five trust companies of an information in the nature of a proceeding *quo warranto* against the First National Bank of Bay City to question the right of the bank to act as trustee. The bank responded and the Attorney General demurred to the bank's plea. The petition of the relators was granted and the bank enjoined from acting as trustee, executor, administrator and registrar of stocks and bonds.

OPINIONS OF THE GENERAL COUNSEL

STATE TAXATION OF NATIONAL BANK SHARES

Right of a state to discriminate against United States bonds in favor of state bonds, by exempting the state bonds owned by a national bank from, and including the United States bonds in, the taxable value of the shares.

From South Carolina—The Tax Commission allows a national bank of \$100,000 capital, that has \$50,000 of state of South Carolina bonds, to deduct the \$50,000 South Carolina bonds from their capital of \$100,000 and taxes them on only \$50,000. If they allow this concession on account of a bank owning state bonds, can they not be forced to make the same concession to a bank owning United States bonds? That is, if they allow a bank of \$100,000 capital that has \$50,000 of state of South Carolina bonds to deduct the amount of these bonds from their capital, would they not also have to allow a bank of \$100,000, which had \$50,000 of government bonds, and which had no state of South Carolina bonds, to deduct the \$50,000 of government bonds from the amount of the capital? It is my understanding that no state is allowed to discriminate against government

bonds in favor of its own bonds. This appears to me to be a clear case of discrimination.

Your letter raises the question of the right of a state to discriminate against United States bonds in favor of state bonds, by exempting the state bonds owned by a national bank from, and including United States bonds in, the taxable value of the shares.

Congress has exempted government bonds from state taxation (U. S. Rev. Stat., Sec. 3701), and the state of South Carolina has likewise exempted from taxation "all bonds and stocks of this state"; also "all bonds and stocks of the United States which are not authorized by the laws of the United States to be taxed under state authority" (Civil Code So. Carolina, Sec. 294).

No state has the power to tax national banks, except as Congress permits. The extent of permission of Congress is contained in Section 5219, U. S. Revised Statutes, which allows the state to tax the national bank upon its real estate, but not

upon its personal property, permitting, however, the state to tax the shares of national banks as part of the personal property of the stockholders, but imposing a restriction "that the taxation shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such state." Under this provision, the question has arisen of the right of the shareholder to deduct non-taxable United States government bonds owned by the bank from the taxable value of his shares, and the question has been settled, by repeated decisions of the United States Supreme Court, that the shareholder has no such right of deduction or exemption. It has been held that while the bonds are the property of the bank and exempt as such, the shares are the property of individuals who are not entitled to exemption or deduction because of the bonds owned by the bank. *Van Allen v. Assessors*, 3 Wall. 573; *Trust Company v. Lander*, 184 U. S. 111.

In pursuance of the Congressional permission to the states to tax shares of national banks as the property of the shareholders, the South Carolina legislature provides for the taxation to the shareholders of their shares of stock in national and state banks (Civ. Code, Sec. 341) makes the tax a lien on the shares (Id., Sec. 346) and authorizes the banks to pay the tax and deduct the same from dividends (Id., Sec. 347). By Act of February 21, 1913, the legislature requires state banks to pay the taxes assessed against the shares of its stockholders, but no such requirement is imposed upon national banks; the statute above referred to (Section 347) simply contains an authority to national banks to pay the tax and deduct the same from dividends.

According to your letter, it is the policy of the state of South Carolina in taxing the shares of national banks to include in the taxable value the non-taxable United States bonds owned by the bank, as it has the right to do, in view of the decisions of the United States Supreme Court, but to exclude from such taxable value the non-taxable state bonds owned by the bank, and this raises the question, as already stated, of the right of the state to thus discriminate against United States bonds in favor of its own state bonds. In pursuing this policy there would seem to be no violation of the anti-discrimination provision of Section 5219 of the United States Revised Statutes, as that simply provides that the taxation of national bank shares shall

not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of the state. The fact that the state allows the owners of national bank stock to deduct non-taxable state bonds, but not non-taxable government bonds does not work any discrimination against such owners in favor of other owners of moneyed capital.

A somewhat similar situation existed in North Carolina. In 1909 the legislature passed an Act for an issue of state bonds, exempting the same from taxation and providing "nor shall said bonds and coupons be subject to taxation when constituting a part of the surplus of any bank, trust company or corporation." Another Act for raising revenue, known as the Machinery Act, provided for the taxation of bank shares and the method of arriving at their value, but this Act made no specific provision for deduction of the value of state bonds in ascertaining the value of the shares. A stockholder of a state bank whose surplus was invested in state bonds instituted a proceeding against the Corporation Commission to compel it to deduct the value of state bonds from the taxable value of the shares. The final decision of the state Supreme Court (the court dividing three to two) upheld the right of deduction. *Pullen v. Corporation Commission*, 68 S.E. 155. The majority decision went on the ground that the policy of the state was to exempt state bonds from taxation and that the true legislative intent was to permit the shareholder to deduct the value of these bonds notwithstanding the Machinery Act did not, in terms, authorize the bonds to be deducted. It held that this interpretation of the Act did not in any wise impair the right of the state, under the consent of Congress given in Section 5219 Revised Statutes, to tax the shares of stock in national banks, for this interpretation in no way violated the anti-discrimination restriction imposed by that section. The minority held that the shares of stock were taxable property separate and distinct from the property owned by the bank; that this principle is recognized in the doctrine of both the Federal and North Carolina courts that non-taxable government bonds, the property of the bank, cannot be deducted in taxing shares; that the North Carolina statute did not warrant the interpretation placed upon it by the majority and that in taxing the shares, the non-taxable state bonds should not be deducted for the same reason

that non-taxable government bonds are not deducted. Clark, C.J., quoted the language of the Supreme Court of North Carolina in *Commissioners v. Tobacco Co.*, 116 N.C. 447 as follows: "The capital stock belongs to the corporation. The shares or certificates of stock are entirely a different matter. They belong to the shareholders individually and under the constitution must be taxed *ad valorem* like other property belonging to the holder, independently of the taxation upon the corporation, its franchises, etc." The chief justice then said: "It is now held otherwise as to the plaintiffs, shareholders in a bank, as to our state bonds. In this case, reversing all previous decisions, we may not only strike from the tax books \$4,000,000 in value of shares of stocks in state banks, but we may very probably be exempting all national banks from any taxation whatsoever. The state cannot discriminate against United States bonds."

Notwithstanding the dissenting opinion, the majority opinion stands as the decision of the Supreme Court of North Carolina and according to this decision it is perfectly lawful for a state, in taxing shares of stock of a national bank, to permit the deduction of the value of non-taxable state bonds owned by the bank while at the same time refusing to permit such deduction in the case of non-taxable United States bonds so owned; and that in permitting such deduction in the one case and refusing it in the other, there is no violation of the provision of Section 5219 United States Revised Statutes which prohibits discrimination against national bank shareholders in favor of other moneyed capital in the hands of individual citizens.

Indeed, it would seem clear that such discrimination as there is in such case is not against national bank shareholders but against United States government bonds, and this suggests the further question whether there is anything in the fundamental law which will prevent the state from thus discriminating in favor of its own bonds.

The fourteenth amendment of the constitution of the United States prohibits the state from depriving any person of his property without due process of law and from denying to any person within its jurisdiction the equal protection of the laws. In repeated decisions of the Supreme Court of the United States in cases where state

statutes have discriminated in certain respects between taxation of different classes of property, the right of the state to make such discriminations has been upheld. In *Bell's Gap R. Co. v. Pa.* 134 U.S. 232, holding that a Pennsylvania statute taxing bonds issued by corporations on their face instead of their actual value was not an unjust discrimination, Mr. Justice Bradley speaking for the court said:

"The provision in the fourteenth amendment, that no state shall deny to any person within its jurisdiction the equal protection of the laws, was not intended to prevent a state from adjusting its system of taxation in all proper and reasonable ways. It may, if it chooses, exempt certain classes of property from any taxation at all, such as churches, libraries, and the property of charitable institutions. It may impose different specific taxes upon different trades and professions, and may vary the rates of excise upon various products. It may tax real estate and personal property in a different manner. It may tax visible property only, and not tax securities for the payment of money. It may allow deductions for indebtedness, or not allow them. * * * We think that we are safe in saying that the fourteenth amendment was not intended to compel the state to adopt an iron rule of equal taxation. If that were its proper construction, it would not only supersede all those constitutional provisions and laws of some of the states whose object is to secure equality of taxation, and which are usually accompanied with qualifications deemed material; but it would render nugatory those discriminations which the best interests of society require, which are necessary for the encouragement of needed and useful industries, and the discouragement of intemperance and vice, and which every state, in one form or another, deems it expedient to adopt."

In *Merchants & Manufacturers National Bank v. Commonwealth of Pennsylvania*, 167 U. S. 461, it was held that a state statute giving banks the right to elect to collect from shareholders and pay into the State Treasury a tax of eight mills on the dollar on the par value of the shares, in lieu of the regular tax of four mills on each dollar of the actual value thereof did not deny "the equal protection of the laws" guaranteed by the fourteenth amendment, though it might result in some banks

paying less than others on the actual value of their property; nor did such statute conflict with Rev. Stat., Section 5219, which does not forbid discrimination between national banks, but only as between such banks and state banks or other moneyed capital. The court said: "This whole argument of a right under the Federal Constitution to challenge a tax law on the ground of inequality in the burdens resulting from the operation of the law is put at rest by the decision in *Bell's Gap R. Co. v. Pennsylvania*, 134 U. S. 232."

In *Travellers Insurance Co. v. Conn.*, 185 U. S. 364, it was held that there was no unconstitutional discrimination against non-resident stockholders in domestic corporations made by an act of the state of Connecticut which provided for the assessment of such stock at its market value, with no deduction on account of real estate held by the corporation, although provision for such deduction in the case of resident stockholders was made by another Connecticut statute. In this case Mr. Justice Brewer said: "This court has frequently held that mere inequality in the results of a state tax law is insufficient to invalidate it."

In the present case, such discrimination as there is would appear to be against the United States Government rather than against citizens of the state, by giving the state bonds a privilege of exemption not accorded United States bonds, and from such consideration as I have been able to give to the authorities at command, I fail to see that a state law or a state tax policy which, in taxing the holders of national bank shares, permits them to deduct the value of non-taxable state bonds owned by the bank, while refusing such permission of deduction of the value of non-taxable government bonds so held, works any violation of the provision of the Federal Constitution against denying to any person the equal protection of the laws. The taxpayer owning both national and state government bonds holds both kinds of bonds tax free. The taxpayer owning stock of a national bank which owns both kinds of bonds can have one kind deducted and the other not; but this is because the policy of the state is to carry the tax exemption of its bonds beyond direct taxation to the owner, so that the exemption will equally apply where the bonds are owned by a bank and constitute part of the value of the shares owned by the stockholder. Because the Federal government has not, as it might, equally provided such exemption of United States bonds from state

taxation when they constitute part of the value of taxed national bank shares, this would seem to afford no good reason for holding that the state unjustly discriminates against United States bonds in favor of state bonds when it provides for such exemption of its own bonds. In *Farmers & Merchants Savings Bank v. Minnesota*, 232 U. S. 516, Mr. Justice Pitney said: "United States bonds have always been held exempt from taxation under authority of the states" because said taxation would constitute a burden upon the operations of government. He further said: "By like reasoning it has come to be recognized that bonds issued by the states are not taxable by the Federal government." As both Federal and state governments respectively recognize the inviolability of their bond issues from taxation, it would not appear to be a case of undue discrimination by a state government against the bonds of the National Government, because the former carries the principle of tax exemption of its bonds a little further than does the National Government, namely, by providing that not only shall they not be taxed to the owner directly, but shall also be exempt from taxation where such bonds are owned by a bank corporation and their value enters into the value of the shares of such corporations, taxed to the owner.

The conclusion would seem to follow, therefore, that the state has a right, in providing for the taxation of national bank shares, to permit the owner to deduct the value of non-taxable state bonds owned by the bank, although denying to the shareholder the right to deduct the value of non-taxable United States Government bonds so owned, the refusal to permit such deduction in the latter case being upheld by decisions of the Supreme Court of the United States. This conclusion is fortified by the decision of the Supreme Court of North Carolina in *Pullen v. Corporation Commission*, supra. It would seem that the proper method to effect any change in this policy would be by legislation, either by the state expressly providing that in the taxation of bank shares to the owners thereof the value of state bonds owned by the bank should not be deducted, which would place both kinds of bonds upon an equal footing and establish a policy of non-exemption; or by the national legislature extending the exemption of United States bonds from taxation so as to prohibit state taxation, not only in cases where the owner was taxed directly but equally where the bonds owned by a bank

or other corporation entered into the value of the shares taxed to the owners, which would establish a uniform policy of exemption of both national and state bonds in all states where, as in North and South Carolina, the value of state bonds owned by a bank are permitted to be deducted from the taxable value of the shares.

PROTEST OF FORGED CHECK

A purported check bearing a forged signature is not protestable.

From Indiana—As a matter of information, we would like to know if a check signed without authority (or a forged signature) requires protest. We were long since legally advised that in such a case it was not a legal instrument and could not be protested.

The requirement of protest in case of foreign bills of exchange and the permission of protest in case of inland bills and notes presupposes the existence of a valid negotiable instrument which has been dishonored upon due demand. Where a check bears a forged signature or one made without authority of the person whose signature it purports to be, the instrument is not a valid negotiable instrument, but a void document and it is not properly protestable. Genuine indorsers upon such an instrument are liable, without demand, protest or notice, to all subsequent holders in due course upon warranty of genuineness. The following authorities support this position:

Where a bill is forged, demand is not necessary to hold the indorser. *Hamer v. Brainerd*, 7 Utah 245.

The indorser of a note is not entitled to notice of dishonor if the maker's name is forged, since he has by indorsement warranted it to be a valid and genuine instrument. *Turnbull v. Bowyer*, 40 N. Y. 456; *Perkins v. White*, 36 Ohio St. 530.

In *Rossi v. Nat. Bank of Commerce*, 71 Mo. App. 150 it was held that on discovery that the indorsement of the payee of a draft has been forged, no protest or notice is necessary to fix the liability of one who has indorsed the draft for the purpose of identifying the person presenting it for payment as the payee named therein. He is entitled only to reasonable notice of the discovery of the forgery.

However, in *Susquehanna Bank v. Loomis*, 85 N.Y. 207 where an altered draft was indorsed for

accommodation to enable a stranger to get the money at the bank, it was held that the indorser was entitled to demand and notice as he had not received any part of the consideration. This decision has been criticised because the indorser's liability upon a forged draft rests upon breach of his warranty of genuineness irrespective of the consideration received. See *Daniel Neg. Inst. Section 669b*.

PAYMENT OF CHECK ON FORGED INDORSEMENT

Bank which pays check upon forged indorsement cannot charge amount to drawer's account unless latter is negligent in giving notice after discovery of the forgery—But payor bank has right of recovery from person receiving the money.

From Pennsylvania—We would like your opinion as to who is liable in the following case: A check drawn on our bank for \$359.88 was dated August 11 and paid August 23. The maker is a local manufacturer. The check was made payable to a Boston firm. It bore the indorsement of the Boston firm, also of an automobile company and another individual indorsement and was finally presented to us for payment by the local agent of the express company, whom we knew personally. He indorsed the check for the express company and on the strength of this indorsement, after calling by phone the maker of the check, we paid same. Now the Boston firm say they never indorsed the check, nor did they receive it. There is no doubt that the indorsement is fraudulent. Can we demand this money from the express company if the maker of the check cannot be held for same, or who will be the loser?

In this case the indorsement of the payee is stated to be forged. A bank which pays a check upon a forged indorsement cannot charge the amount to the drawer's account, unless the drawer has been negligent, after discovering the forgery in giving notice thereof. In the Pennsylvania case of *Cunningham v. First Nat. Bank*, 219 Pa. 310, the drawer did not notify the bank for six weeks after discovery of the forgery and the bank in which the check was first deposited failed in the meantime. It was held that this six weeks' delay was negligence on the part of the drawer which precluded him from holding the bank responsible. In your case there does not appear to be any negligence upon the part of the drawer. You state that you called him over the 'phone before cashing the check but you do not state that he

said or did anything which would bind him to an assertion that the payee's indorsement was genuine and I presume there is nothing of this kind in the case. The general rule, therefore, would apply that payment of his check upon a forged indorsement is not chargeable to his account.

But the general rule is that the bank which pays a check upon a forged indorsement has a right of recovery from the person receiving the money. *First Nat. Bank v. Northwestern Nat. Bank*, 152 Ill. 296; *Wellington Nat. Bank v. Robbins*, 71 Kan. 748. This rule is illustrated in the Pennsylvania case of *Second Nat. Bank v. Guarantee Trust etc. Co.*, 206 Pa. 616. There a check was paid by the bank upon a forgery of the payee's indorsement. The check had been indorsed unrestrictedly to a trust company which indorsed it "pay to order of any bank or banker, previous indorsements guaranteed" and collected the money from the drawee. It was held that the trust company was liable to refund the money collected. The court said: "The draft was payable only upon the order of John Davis and until John Davis did actually order or direct the payment of the draft to some one else, the title to the instrument remained in him and never properly passed from him. When the defendant (trust company) therefore took the draft without knowing whether or not the signature of John Davis, which appeared upon the back of the draft, was genuine, it took the instrument at its own peril. Its liability in this respect was expressly recognized by its volunteering to guarantee the previous indorsements. The form in which the defendant indorsed the draft makes clear its intention not only to transfer but to be bound as indorser and as guaranteeing the validity of the prior indorsements. The defendant is therefore clearly liable in this case. To hold otherwise would be to deny to the plaintiff the benefit of the general rule that one who has paid a bill or draft to one holding it under a forged indorsement may recover back the amount, if he proceeded with due diligence."

In the present case the check was paid by your bank upon forged indorsement to an express company, the local agent presumably acting under proper authority. Although the express company did not expressly guarantee the genuineness of prior indorsements, still it would be liable under

the general rule that money paid upon a forged indorsement is recoverable from the person receiving the money. There is only one contingency upon which it might not be held liable, that is to say, if the check was indorsed to it "for collection" or by any other form of restrictive indorsement which would indicate that the express company was a mere agent for collection. It has been held that an agent receiving payment of forged paper, where the form of the indorsement shows the agency, is not liable to refund where the proceeds have been paid over to the principal before notice of the forgery. *National Park Bank v. Seaboard Bank*, 114 N.Y. 28. In such case the recourse of the payor bank is against the principal further back, unless the agent has expressly guaranteed the genuineness of the prior indorsements. Your letter does not disclose the character of the indorsements in this case, but assuming the various indorsements are in unrestricted form, you have a right of recovery from the express company who has received your money without right upon a check bearing a prior forged indorsement.

WAIVER OF DEMAND AND NOTICE

Printed waiver above signature of indorser sufficient to bind him—Law does not require that waiver be handwritten.

From Massachusetts—Is it necessary on a demand note to have the indorser write "demand and notice waived" or is it perfectly legal to have the wording "demand and notice waived" printed?

The Negotiable Instruments Act provides: "Where the waiver is embodied in the instrument itself, it is binding upon all parties; but where it is written above the signature of an indorser, it binds him only." Sec. 110 N.I. Act, Mass.

Among the general provisions of the Act, is the following: "Under this Act, unless the context otherwise requires * * * 'written' includes printed and 'writing' includes print." Sec. 207, Id.

Under the Negotiable Instruments Act, therefore, it is not necessary for the indorser to write, with his own hand or by the hand of another, over his indorsement, the words "demand and notice waived" but if such words are printed they will be equally binding upon him as a waiver.

At common law, also, a printed waiver over the signature of an indorser, as distinguished from a handwritten one, was binding. *Bank v. Mill etc. Co.*, 129 Cal. 263.

NEGOTIABLE PAPER AS COLLATERAL SECURITY

Bank loaning \$250 and taking as collateral, unmatured negotiable note of third person for \$500, is a holder for value to the extent of the amount advanced with interest and can enforce the collateral note for that amount, free from defenses available to the maker against the payee—If the collateral note is not subject to defense, the full amount is recoverable, the bank being accountable for the surplus to the pledgor.

From Iowa—A borrows \$250 of us November 1, leaving as collateral security collateral note of B \$500 due February 1. Both notes run past due and bank must sue on collateral note \$500. Does it hold the collateral note free of all equities maker may have against the payee; that is, does its legal possession date from November 1 or from date sued? In a recent case, the attorney for maker of the collateral note claimed that as the bank did not really purchase note it is subject to any set-offs, while we claim note was legally transferred on November 1 before maturity. If attorney is correct, how should bank handle collateral notes? It is unusual for banks to buy or sell collateral notes outright, but this it must do before maturity if the title does not date from time taken.

I assume the note of B, delivered before maturity as collateral security for loan to A, is a negotiable note. In such case there is no question but that the bank, dating from the time it received the note as collateral security for value advanced, is a holder in due course to the extent of the amount advanced and can enforce the note against B to that extent, free from all defenses and offsets which B might have against the payee. The contention that there is a distinction between purchasing a negotiable note for value and acquiring it as collateral for money advanced the pledging borrower and that in the latter case the collateral note is subject in the hands of the pledgee bank to equities of the maker against the payee, is erroneous.

The general rule of the common law, supported by numerous cases, is that one who, for value given, takes negotiable paper before maturity as collateral security is a bona fide holder for value and may collect it at least to the extent of the debt for which it was pledged, without regard

to equities between the original parties, whether arising out of the original transaction or from subsequent dealings. *Swift v. Tyson*, 16 Pet. (U.S.) 1; *Sears v. Lantz*, 47 Iowa, 658; *Des Moines Nat. Bank v. Chisholm*, 71 Iowa, 675.

Concerning the amount and extent of recovery, the general rule is that the bona fide pledgee may enforce the collateral note for the full amount thereof against the maker and obligor and will retain any surplus, after payment of his debt, as trustee for the pledgor; but where the maker proves a defense not available as a bar to recovery by the pledgee, but good as against the pledgor, the pledgee will be allowed to recover only to the extent of the debt for which he holds the collateral security. 31 Cyc. 888 and cases cited.

The same result follows under the Negotiable Instruments Act under which a holder in due course (*i. e.* one taking an instrument complete and regular on its face, before due, in good faith, for value and without notice) "holds the instrument free from any defect of title of prior parties and free from defenses available to prior parties among themselves and may enforce payment of the instrument for the full amount thereof against all parties liable thereon" but "where the holder has a lien on the instrument arising either from contract or by implication of law, he is deemed a holder for value to the extent of his lien."

There is a case directly in point in your own state of Iowa. *Voss v. Chamberlain*, 117 N.W. 268. Negotiable notes, indorsed in blank, were pledged before maturity to a bank by way of substitution for other collateral held by the bank as security for antecedent indebtedness of the pledgor. The pledgor did not own the notes so pledged but had abstracted them from the wallet of the owner and he afterwards obtained them from the bank for the purpose of collection and then returned them to the wallet of the owner. The bank sued the owner for conversion of the notes and recovered. The court said: "If the Bank of Denison became the holder of the notes in question as collateral security in due course and for valuable consideration, it is entitled to recover the value of the notes as subsequently found in the possession of Chamberlain, claiming to hold them as the property of Chamberlain and Weatherbee and refusing to deliver them up on demand;

for the delivery of the notes to Green (the pledgor) for a specific purpose as the agent or custodian of the bank did not constitute a surrender of lawful possession of such notes by the bank as the holder for value." The court held that by the original pledge the bank became holder of the notes in due course for value, before maturity, without notice of the wrongful act of the pledgor and was entitled to recover their full value. Upon the question of the amount recoverable, the court said:

"It is contended, however, that as the value of the collateral surrendered when the notes in question were accepted by the Bank of Denison is not shown, the bank is not entitled to recover because, under Code, §3070, a bona fide holder for value may not recover as against the maker of negotiable paper a greater sum than the holder paid for the instrument if it has been procured by fraud upon such maker. This section evidently has reference, however, to recovery on instruments as to which the maker has a defense. The defendants in this action were not the makers of the notes which they are charged with having converted, nor are they sued as makers. There is no contention that any fraud was perpetrated upon the maker, and there is no occasion, therefore, to limit the recovery of plaintiff to the amount or value of the security surrendered when these notes were accepted by way of substitution. The indebtedness of Green to the Bank of Denison exceeds the amount of this collateral, and plaintiff is entitled to recover, therefore, if at all, in the full value of the notes converted. If the bank was holder in due course and free from defenses, it might enforce payment against the maker of the notes and the defendants as indorsers for the full amount thereof. See Negotiable Instruments Act (Acts 29th Gen. Assem. [Laws 1902, p. 87] c. 130) Sec. 57; Code Supp. 1907, §3060a57. And the amount which the bank might have recovered on the notes had they not been converted by the defendants would be the measure of recovery against defendants for their unlawful conversion."

In the above case you will see the full measure of protection accorded a bank which acquires negotiable notes before maturity as collateral security.

Another instructive case is *Elk Valley Coal Co. v. Third Nat. Bank*, 163 S.W. (Ky.) 766. A note for \$2,500 was held by a bank as collateral security for a debt of \$2,148. The makers of the collateral note had a defense against the payee, but this was not available against the pledgee bank. The court said: "Under these circumstances, the bank being a pledgee is a holder for value only to the extent of its lien (Section 3720b, subsec. 27, Ky. Stat.) and can recover only to the extent of the debt for which it holds the note sued on as collateral security * * *. It follows that the trial court should have given judgment in favor of the plaintiff for only \$2,148.35, with interest from October 31, 1911, instead of for the full amount of the note sued on."

In the case stated by you, therefore, your bank having loaned \$250 secured by pledge as collateral of a negotiable note for \$500, is a holder for value to the extent of its lien and is entitled to enforce the collateral note against the maker, free from any defense which the maker may have against the payee, to the extent of the amount advanced and interest. If the maker has no defense, your bank is entitled to recover the full amount of the note, accounting for any surplus to the pledgor.

MATERIAL ALTERATION OF NOTE

Where amount of note is written in body and also given in figures in the margin, the deduction from such marginal figures of the amount of a partial payment is not a material alteration which would affect the validity of the note.

From Massachusetts—Does it affect the legality of a note if the amount of a part payment is deducted from the figures on the face of the note, if you do not alter the body of the note?

Where the amount of a note is written in the body of an instrument, I do not think a deduction from the marginal figures of the amount of a partial payment thereon, would be held a material alteration or in any way affect the validity of the note.

The Negotiable Instruments Act provides that "where a negotiable instrument is materially altered without the assent of all parties liable thereon, it is avoided, except as against a party

who has himself made, authorized, or assented to the alteration, and subsequent indorsers. But when an instrument has been materially altered and is in the hands of a holder in due course, not a party to the alteration, he may enforce payment thereof according to its original tenor." Sec. 141 Mass. Act.

The Act further provides that "any alteration which changes * * * the sum payable, either for principal or interest * * * or any other change or addition which alters the effect of the instrument in any respect, is a material alteration." Sec. 142 Mass. Act.

But where the amount is written in the body of the instrument, the marginal figures are no part of the note but only an index or memorandum of the amount and I do not think a change in such marginal figures would be a change in the sum payable within the meaning of the above provision.

It has been held where the words and figures are different, a change of the figures, so as to conform them to the words, made by the holder, without the knowledge and consent of the drawer, is not a material alteration or forgery, as the figures serve only as an index for convenience of reference and constitute no part of the bill. *Smith v. Smith*, 1 R.I. 398.

Also in *Prim v. Hammel*, 134 Ala. 652 it was held that where the amount is expressed in the body of a promissory note, an alteration in the figures on the margin is not a material alteration. The court said: "But without determining how far the marginal figures are a material part of the instrument where no amount is expressed in the body, we are satisfied on authority and reason, that where the amount is written in the body of the instrument, the marginal figures do not constitute such a material part as that an alteration of the same would amount to a material alteration of the contract. Since the writing in the body controls, the marginal figures are wholly unimportant."

In the case submitted, the marginal figures are not altered in the sense of being changed to conform to the amount stated in the body of the note, nor are they altered from one amount to another by erasing the original figures and substituting a different amount but, as I understand, the marginal figures are left as originally written

and the amount of a partial payment is written under such marginal figures and a subtraction made with a new total stated. Whether or not this could be termed a change in the marginal figures, it would not, in any event, be a change of any material particular of the note and in the light of the authorities cited, such a deduction would not be a material alteration which would affect the validity or enforceability of the note.

MARRIED WOMAN AS SURETY

Under the law of Georgia, a married woman cannot bind herself as surety or accommodation indorser, except that she will be held liable thereon to a bona fide holder for value without notice of the character of the indorsement.

From Georgia—Please advise if a married woman's indorsement in the state of Georgia is good.

I presume your inquiry relates to the validity of the indorsement of a married woman as surety or accommodation indorser upon a negotiable note under the laws of the state of Georgia. Where a married woman is the owner of a negotiable note and indorses same for value, her indorsement would be valid and binding upon her under the laws of that state, but if her indorsement is as surety for another, she cannot be held thereon except to a bona fide holder, for value, without notice. In other words, if your bank acquires for value a note indorsed by a married woman in Georgia with no knowledge or notice that her indorsement is as surety, you are protected; but if the bank has notice or knowledge that the married woman's indorsement is as surety, she cannot be held.

Following is a reference to the Georgia statute and decisions upon the subject:

The Georgia statute in regard to the wife's separate estate provides:

"The wife is a *feme sole* as to her separate estate, unless controlled by the settlement. Every restriction upon her power in it must be complied with; but while the wife may contract, she cannot bind her separate estate by any contract of suretyship, nor by any assumption of the debts of her husband, and any sale of her separate es-

tate, made to a creditor of her husband in extinguishment of his debts, shall be absolutely void." (Park's Anno. Code Ga., 1914, Vol. 2, §3007).

It has been held under this statute that while a wife can not legally make a contract of suretyship or assume the debt of her husband, yet where she has given a negotiable note payable to her husband's order and intended to be used as security for or in payment of his debt, and it has been transferred to a bona fide purchaser for value before maturity and without notice, it is valid and binds her; that the law which is made for the protection of married women will not permit or tolerate in its beneficiaries an abuse of its beneficent purpose. In the course of the opinion, in this case, the court said:

"In this state there are three restrictions upon the rights of a married woman as to her separate property: (1) She cannot bind her separate estate by any contract of suretyship. (2) She can not assume the debts of her husband, and her estate is not liable for them. Civil Code §2488. This last restriction is embodied in the constitution of the state. Civil Code, §5790. (3) No contract of sale of a wife as to her separate estate, with her husband or her trustee, shall be valid, unless the same is allowed by order of the superior court of the county of her domicile. Civil Code, §2490. With these exceptions, the wife is a *feme sole* and may do as she pleases with her own. * * * In the cases above cited, as well as in many others, the Supreme Court has ruled that while a wife can not make a contract of suretyship or legally assume a debt of her husband, yet when she has given a negotiable note for his debt, and it has been transferred to a bona fide holder for value before due and without notice, it is valid and binds her." *Farmers & Traders Bank v. Eubank*, 2 Ga. App. 839.

In *Booth v. Merchants Bank of Valdosta*, 9 Ga. App. 650, it was held that a woman can neither stand surety for her husband's debts nor lawfully pay them, and if, having executed a promissory note as security for her husband, she pays the note, she may maintain an action for money had and received and recover the sum so paid, from the creditor who knowingly received it. (Citing *Strickland v. Vance*, 99 Ga. 531).

Held, further, that as to other persons she may not lawfully become surety, but she may pay their debts. *Villa Rica Lumber Co. v. Paratain*, 92 Ga. 370. Hence, if a married woman executes a promissory note as surety for a person other than her husband, she can not be compelled by law to pay it, but if she voluntarily pays it, she cannot recover back from the creditor the amount she has paid.

With the above exceptions as to suretyship and guaranty, a married woman in Georgia is as free to contract with reference to her separate estate as a *feme sole*, and may bind herself by contracts of indorsement of negotiable instruments and even by contracts of suretyship and guaranty, where the paper is in the hands of an innocent bona fide holder. (See *Schofield v. Jones*, 85 Ga. 816; *Jones v. Bradwell*, 84 Ga. 309; *McDaniel v. Ackridge*, 12 Ga. App. 79).

PAYEE OF CHECK AS BONA FIDE HOLDER

Right of payee of check received in payment of wages due from employer, a third person, to enforce against drawer, free from latter's defense against employer.

From California—"A" gives "B" a check for \$500 drawn on the First National Bank of X (about twenty miles from here). "B" on Saturday afternoon indorses the check over to "C"; this was supposed to cover a pay roll of "B." "C" not having the money on Saturday afternoon and the banks being closed gave out some cash and issued his checks on us (amounting to about \$400) to the employees of "B." Early Monday morning "C" comes to the bank with "A's" \$500 check made payable to "B" and indorsed by him to "C." Fearing that there was something wrong, the writer telephoned to X and found that "A" has no account there. "C" immediately stopped payment on all checks issued. There is no question in our minds but that "C" has the right to stop payment on his checks, but there is a question as to the outcome of "C" checks. "C" is a good customer of ours and a number of our customers are holding his checks on which payment has been stopped. The point that we are trying to get at is whether or not the parties holding "C's" checks can recover from him.

I think the payees of C's stopped checks would have a right of action against him thereon. The checks were received in payment of wages

and the rule in California is that a pre-existing debt constitutes a valuable consideration. *Sackett v. Johnson*, 54 Cal. 107.

The only question is whether, being payees, instead of indorsees for value, they occupy the position of a holder in due course so as to enforce the checks against the drawer free from his defense of failure of consideration moving to him from B, to whom the checks were delivered and who paid his employees therewith.

The California statute relating to negotiable instruments thus defines an indorsee in due course: "An indorsee in due course is one who, in good faith, in the ordinary course of business, and for value, before its apparent maturity or presumptive dishonor, and without knowledge of its actual dishonor, acquires a negotiable instrument duly indorsed to him, or indorsed generally, or payable to bearer." (Kerr's Civ. Code Cal., Vol. 2, §3123).

But while the statute does not specifically cover a payee within its definition, I think, in a case like the present, the payee would be equally protected. In a note to *Bedell v. Herring*, 77 Cal. 572, 11 Am. Stat. Rep. 307, 310, in which case it was held that the maker cannot, as against a bona fide indorsee for value, before maturity, without notice, sustain a defense that the note was procured by fraud, Mr. Freeman says: "It is not necessary, in order to entitle a holder to the protection of the rule, that he be a subsequent transferee from or through an original party to the instrument. The payee himself may be protected."

While ordinarily, of course, the maker of a negotiable instrument can defend against the payee, there are numerous transactions in which the maker of a negotiable instrument delivers it to a third person who, in turn, delivers it to the payee for a valuable consideration and, in such cases, the rule at common law is that the payee is a bona fide holder for value and can recover from the maker free from defense. The Supreme Court of the United States in a case of this kind, has said: "In a suit on the bill by the payee against the drawer, the want of consideration cannot be shown, if the payee is a bona fide holder for value." See *Armstrong v. American Exchange National Bank*, 133 U.S. 433 and cases cited.

The Uniform Negotiable Instruments Act which has been passed in nearly all the states

(not, however, in California) and which codifies the common law of bills and notes, designates the person who, at common law, is termed a bona fide holder for value, as a "holder in due course" and in a number of cases which have arisen under the Act the point at issue has been whether the payee of a negotiable instrument can, under any circumstances, acquire the enforceable rights of a holder in due course free from equities between the original parties. In New York, Massachusetts and Alabama, the decision has been in the affirmative; in Iowa and Missouri in the negative. See *Brown v. Brown*, 91 Misc. (N.Y.) 220; *Boston Steel Co. v. Steuer*, 183 Mass. 140; *ex parte Goldberg*, 67 So. (Ala.) 839; *Vander Ploeg v. Van Zuuk*, 135 Ia. 350; *St. Charles Savings Banks v. Edwards*, 243 Mo. 553.

In *Boston Steel Co. v. Steuer*, supra, C made his check payable to D and handed it to B to deliver to D as part payment of a debt of C to D. B, instead, used it to pay a debt of his own to D. The court held that at common law the payee in such case was a bona fide purchaser for value without notice and the drawer could not set up B's fraud in defense of the check; further that the payee was a holder in due course under the Negotiable Instruments Act. To the contrary in *Vander Ploeg v. Van Zuuk*, supra, where a note was intrusted to a third party who wrongfully delivered it to the payee in payment of his own debt, the court held that while the payee was a holder of the note for value he was not a holder in due course, and therefore took the note subject to the defense of the maker. The court construed the term "holder in due course" as defined in the Negotiable Instruments Act as not including the payee of a negotiable instrument but only one to whom it has been negotiated by the payee.

But the Uniform Negotiable Instruments Act is not in force in California and I think it likely, whether or not the payees in a case like the present, would be held protected under the statute relating to negotiable instruments in force in your state, at all events, they would be protected under the rule of the common law, so as to be entitled to enforce payment of the checks from the drawer C, free from any defense of fraud which the latter might have against B.

INTERLOCKING BANK DIRECTORATES

Right of officer and director of national bank with resources exceeding five million, located in city of over two hundred thousand inhabitants, to be officer and director in any number of non-member state banks, elsewhere located and none having resources equaling five million, existing under Clayton Act, is not restricted by provisions of Kern Act, which are cumulative and additionally permit such officer, upon consent of Federal Reserve Board, to be in not more than two other banks, not in substantial competition, from which but for the Kern proviso, he would be excluded.

From Minnesota—I write for a little information regarding the Clayton Act and the effect of the Kern amendment. Mr. A is president of a national bank in a city of over 200,000 population which has aggregate resources of over \$5,000,000. He is also president of two small national banks located in two cities in an adjoining state and he is officially or otherwise connected as a director or officer in six state banks. Before the Kern amendment became a law he was ineligible as officer or director of any other member bank while continuing as president of the national bank having aggregate resources of over \$5,000,000. At the same time he could be connected with as many small state institutions as he pleased. Under the Kern amendment he has asked for permission to serve in all three of the national banks mentioned and such permission has been granted. What we would like to know is whether or not he can also be in the state banks as heretofore or if he is now limited in connection with the national bank of which he is president to the two other national banks not in substantial competition.

There is nothing in the original Clayton Act, nor in the Kern amendment, which will prevent the president of a national bank with aggregate resources of over \$5,000,000 located in a city of over 200,000 population, who has received permission of the Federal Reserve Board to serve in two other national banks, from also serving as director or officer in six state banks provided (1) none of such state banks have aggregate resources exceeding \$5,000,000, (2) such banks are not in the same city of over 200,000 population, and (3) are not members of the Federal Reserve System.

The original Clayton Anti-Trust Act contained no provision which would prohibit an officer or director in a \$5,000,000 national bank in a city of over 200,000 population from holding as many officerships or directorships as he pleased in small state banks, non-members of the Federal Reserve System and not located in the same city, none of such banks having aggre-

gate resources exceeding \$5,000,000. The Act has been officially interpreted to this effect.

The Kern amendment simply provides that nothing in the Act shall prohibit an officer or director who shall first procure the consent of the Federal Reserve Board from being an officer or director "of not more than two other banks" not in substantial competition. This provision was not intended by Congress and will not be interpreted to restrict such officer or director to two other national or member banks not in substantial competition and deprive him of the right, existing under the original Clayton Act, to be in any number of small state non-member banks elsewhere located. It simply modifies the restriction under which he could not be in any other national or member bank, by permitting him to be in not more than two others, not in substantial competition, upon first procuring the consent of the Federal Reserve Board.

Support for this conclusion can be found in an opinion of Counsel of the Federal Reserve Board under date of July 13, 1916, who, referring to the general rule that the office of a proviso is to except something out of a statute which would otherwise be within it, holds that the provisos to the Clayton Act are cumulative, their effect being to take out of the operation of the prohibiting clauses of the statute that which otherwise would be forbidden. Applying this rule he holds that an officer or director of a member bank who, by the Clayton Act was permitted to be in one other member bank where the entire capital of one is owned by stockholders of the other, may at the same time, under the Kern amendment, by permission of the Federal Reserve Board, serve in not more than two other banks, not in substantial competition, making four in all under such circumstances. Copy of this opinion will be found published in the Federal Reserve Bulletin for August, 1916, at page 396. Equally in the case you submit, under the rule of construction that a proviso takes out of the body of an enactment that which otherwise would be within it, it follows that the Kern amendment does not deprive the officer in question of the right which he had under the original Act to be in the six state banks referred to, but simply takes out of the original Act the restriction to one national or member bank having resources aggregating more

than \$5,000,000, by permitting him to be in not more than two other banks not in substantial competition upon first procuring the consent of the Federal Reserve Board. In other words, the right of an officer and director of a national bank with resources exceeding \$5,000,000 located in a city of over 200,000 population to be an officer and director in any number of non-member state banks elsewhere located, none having resources equaling \$5,000,000, which right exists under the Clayton Act, is not restricted by the provisions of the Kern Act which are cumulative and additionally permit such officer, upon consent of the Federal Reserve Board, to be in not more than the two other banks not in substantial competition, from which, but for the Kern proviso, he would be excluded.

DEPOSIT OF MINOR

Parent, as natural guardian, cannot withdraw deposit to credit of minor, in absence of legal appointment as guardian of estate.

From Texas—Has the parent, either father or mother, in the absence of a duly qualified guardian, the right to withdraw funds to the credit of a minor's account in a bank, without the minor's consent or order?

At common law the parent (father or mother) as guardian by nature or by nurture has a right to the custody of the ward's person only and has no right to the possession or control of the ward's estate. *Nelson v. Goree*, 34 Ala. 565. To gain control of the ward's estate, it is necessary that he be appointed guardian of the estate by the court.

In Texas the statute provides that where the parents of the minor live together, the father is the natural guardian of the persons of the minor children by the marriage, and is entitled to be appointed guardian of their estates. Where the parents do not live together, their rights are equal; and the guardianship of their minor children shall be assigned to one or the other, according to the circumstances of each case, taking into consideration the interest of the child alone. Where one of the parents is dead, the survivor is the natural guardian of the persons of the minor children, and entitled to be appointed guardian of their estates. *Vernon's Sayles' Texas Civil Statutes 1914*, Articles 4068-4070.

In a recent decision in Texas, *Vineyard v. Heard*, 167 S.W. 22, the court makes it clear that a natural guardian cannot control or dispose of the ward's estate without being legally appointed as guardian of the estate. The court said: "No authority can be produced to the effect that a parent can appoint himself the guardian of the estate of his minor children and dispose of their property without the aid or sanction of a court. The authorities cited by appellees all are cases in which guardians, executors, or administrators have been legally appointed, and not self-constituted. S. C. Vineyard had no representative capacity, and could have no authority to litigate in a capacity in no wise attached to him. The assumption that S. C. Vineyard was the guardian of the estate of his minor children is without basis and utterly untenable."

It follows that neither the father or mother, as natural guardian, would have the right to withdraw funds to the credit of a minor's account in a bank, without first having been duly appointed guardian of the estate.

LIMIT OF LOAN BY NATIONAL BANK

National Bank with loaning capacity to any one borrower of \$9,000, which discounts note of state bank for \$8,000 and allows such bank to overdraw its account \$2,500, exceeds legal limit.

From Colorado—We have a capital of \$60,000 and a surplus of \$30,000. Under the National Bank Act, then, our loan limit to any one individual is \$9,000. We have a small state bank depositing with us whose account is at the present time overdrawn to the amount of \$2,500. In addition to this, they owe us on their note \$8,000, a total liability to us of over \$10,000. In your opinion, are we violating the intent of the National Bank Act as concerns matters of this kind?

The purpose of the provision of the National Bank Act limiting indebtedness of any one person for money borrowed to ten per cent. of capital and surplus, not to exceed thirty per cent. of capital, but excepting "the discount of bills of exchange drawn in good faith against actually existing values and the discount of commercial or business paper actually owned by the person negotiating the same" was to prevent a bank from jeopardizing too large an amount of its funds in loans to any one person or interest where the

transaction was not of such character to come within the exceptions noted. The New York Court of Appeals in *Second National Bank of Oswego v. Burt*, 93 N.Y. 233, thus stated the object of the provision:

"The object of this provision of the Currency Act was to guard national banks from the hazard of loaning money in improvident amounts upon speculative and accommodation paper, but it contemplated and permitted, to an unlimited amount, the discount of paper used and required in facilitating the transfer of property and money in the transaction of the legitimate business of the country."

In the case stated by you, the state bank which is indebted to your national bank upon overdraft in the sum of \$2,500 and upon note

for money borrowed of \$8,000, has obtained accommodation beyond the legal limit. The fact that the borrower is a state bank does not affect the question for the Act applies not only to persons but to "any company, corporation or firm" borrower; nor does the fact that the excess loan is upon overdraft alter the conclusion, for an overdraft is a form of loan and an indebtedness upon overdraft is an indebtedness for money borrowed. If the note for \$8,000 was commercial or business paper of a third person which had been discounted by the state bank and re-discounted by your bank, the limitation would not apply, but according to your statement, it is simply the note of the state bank made payable to your bank for money borrowed. The case therefore is one where the loan limit is exceeded in the amount of \$1,500.

CHEST OF SILVER FOR GEORGE E. ALLEN

At the convention of the American Institute of Banking in Cincinnati, the veterans of the organization presented George E. Allen, the educational director, with a chest of silver. The presentation was made at the annual dinner and David C. Wills, reserve agent of the Federal Reserve Bank of Cleveland, made the following remarks:

"It is difficult to be limited in language when fulsomeness is called for, and since our teacher tells us that 'the creation of the world is described in Genesis in less than 600 words, and only more important matters deserve greater elaboration,' what can one do? One can only say that here's where creation takes a back seat.

"Concerning most men it can be said that they are growing older and older every year—they can see their finish clearer every year—but these words do not apply to the person about whom I am speaking. Men may come and men may go, but he goes on forever. Fifteen years is a long time—in fact it takes us back to the year one, and if this were a college fraternity the veterans of that year might be called the 'naughty ones.' While it is true that the various volunteer officers of the Institute serving their short terms and making way for others have furnished the brains of this organization, there is no difference of opinion as to who furnished the 'guts.' Always a teacher

and never a time-server, always a statesman and never a pussy-footer, always constructive and patient and never designing or impetuous, Uncle George Allen's star in the American Institute of Banking shines undimmed and is now in its zenith.

"I have been catapulted into the performance of a most pleasant duty as a representative of the veterans of the American Institute of Banking who were connected with the Institute at or about the time Mr. Allen assumed its direction. Besides being fellow-workers with him we have been beneficiaries of his devotion and have witnessed with approval the results of his marvelous abilities. Some of the thoughtful generals among these veterans deemed this a most appropriate time to mobilize these forces for the purpose of giving expression to the esteem in which we hold George E. Allen and the gratitude we feel for the salutary effect he has had on the lives of us all. So I have the very great honor, as representing this body of men, to ask you to assume the custody of this chest of silver. Whatever its design is, the design of those whose gift it is, is that it may remind you always that the love of the veterans of 1901 is as warm as when they were active with you, and that you have not raised thankless children, and that the days of our association are not forgotten nor shall they ever be."

TRUST COMPANY SECTION

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MICHIGAN SUPREME COURT SUSTAINS CONTENTION OF TRUST COMPANIES

Of paramount interest to the trust companies of the country is the recent opinion of the Michigan Supreme Court, published in full in this issue, holding that the conferring of trust powers on national banks is in contravention of the state laws of Michigan, and that it is also unconstitutional. The opinion states in part as follows:

Undoubtedly, all presumptions are in favor of the constitutionality of the act in question here and Congress is the judge, within the exercise of its powers, of the functions a national bank should perform. But in the reasoning of the judges, in the opinions to which I have referred, I find, I think, a conclusive argument supporting the proposition that Congress has exceeded its constitutional powers in granting to banks the right to act as trustees, executors and administrators. If for mere profit it can clothe this agency with the powers enumerated, it can give it the rights of a trading corporation, or a transportation company, or both. There is, as Judge Marshall points out, a natural connection between the business of banking and the carrying on of Federal fiscal operations. There is none, apparently, between such operations and the business of settling estates, or acting as a trustee of bondholders. This being so, there is in the legislation a direct invasion of the sovereignty of the state which controls not only the devolution of estates of deceased persons and the conducting of private business within the state, but as well the creation of corporations and the qualifications and duties of such as may engage in the business of acting as trustees, executors and administrators. Such an invasion, I think,

the court may declare and may prevent by its order operating upon the offending agency.

In the several proceedings brought under state laws to test the constitutionality of section 11, paragraph K, of the Federal Reserve Act opinions have been in accord with the one recently rendered.

In accordance with the plan of the newly elected officers of the Section to stimulate and further promote the Section's usefulness to its membership, the Chairman of the Executive Committee, John W. Platten, has addressed each member, calling attention to the new activities of the Section and requesting that every company cooperate to the fullest extent and thus enable the undertaking of work which will be of the greatest benefit to all.

Decision has just been reached naming February 26 as the date for the annual Trust Company banquet, to be held at the Waldorf-Astoria, New York City. Full announcement will be sent to each member of the Section and published in the next issue of the JOURNAL.

TRANSFER FROM RESERVE DISTRICT

Under the Federal Reserve Board's action of October 13 the counties of Monroe, Jackson, Clark, Marathon, Langlade, Oconto and Marinette, together with all other Wisconsin counties east and south of this territory, were transferred from the Minneapolis to the Chicago reserve district. The petition of the Wisconsin bankers re-

quested that thirty-four counties be transferred but the Reserve Board consented to the transfer of only twenty-five. The Board's decision in this matter disposes of an eagerly sought concession, but no change was made for the northern Michigan counties where banks had also appealed for transfer to the Chicago district.

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Five Nassau Street, New York City.

HOW CAN THE BANKS OF THE COUNTRY MAKE THEMSELVES MORE USEFUL?

By N. F. HAWLEY,
Treasurer, Farmers and Mechanics Savings Bank,
Minneapolis, Minn.

The foundation of usefulness on the part of the banks of the country rests upon the confidence they inspire, not merely the assurance which people feel in the solvency of a particular bank or banks, though of course that is necessary, but also confidence in banking institutions and methods.

The ethics of medicine require the physician to spare no time or pain or effort for the sake of his patient whatever the compensation may be or whether there be none at all. Must the banker always take a less exalted position? When he can stand in the community beside the physician the people will have confidence not only in the safety of his bank, but also in the wisdom and disinterestedness of his advice on public as well as private questions.

But if he would be most useful, the banker must not only make his interests square with that of the community and inspire all with assurance of his high purpose, but he must also extend to the utmost the facilities which his intelligence is able to plan. Have we in the past afforded all the financial conveniences which we might for the use of the people and are there not many which we may in the future extend, some slowly, some rapidly, but with increasing usefulness as experience shows the way?

Have the banks not allowed some very important functions to slip through their fingers which they ought to have retained to themselves but which they have permitted other persons or institutions to take over? It may be because we have been too busy or because we did not see to it that laws were framed to enlarge our powers

or because precedent seemed against it or prejudice opposed it.

We are of course familiar with the foundation of the mutual savings bank, with its purpose, with the carefulness with which the one function of savings has been surrounded and the assiduity with which all other functions have been excluded. But the rise of the savings departments of commercial banks and the rapid growth of trust companies in states where such savings departments are prohibited and their convenience to the public raises the question as to whether mutual savings banks can and ought to remain single to the one purpose for which they were organized. The inquiry is raised whether if they are going to serve the people to the greatest degree they should not add instrumentalities for such service.

Are there not some things which mutual savings banks can safely and properly add to that of merely receiving and investing savings funds, provided, of course, that the proper change in the law is made?

It is suggested for illustration that such banks should be given authority to buy and sell exchange, at least for the benefit of their customers. Many of the banks of this sort are prohibited from performing even this simple thing.

Again, is there any good reason why the mutual savings bank should not adopt at least some of the methods of the savings and loan association, with the prime object in view of encouraging the building of homes and the gradual payment and amortization of mortgages thereon and thus enable their customers to employ one of the wise and successful methods of saving money?

There are good reasons, too, why a savings bank ought to be permitted to sell mortgages or

other securities to its customers, many of whom know no other bank and are utterly at a loss to know what to invest in or even how to find out what to buy. The savings bank may have been the depositor's sole friend and adviser for many years, and when the limit of his deposit has arrived, could there be any counselor who would be more wise or more solicitous for his best interests than the bank which has safeguarded his funds while he has been accumulating them?

There will be reasons why this or that particular thing should not be undertaken by banks. There will also be general reasons urged against the enlargement of the scope and functions. It will be suggested that what has been is good enough; that old methods have proven safe and new ones possibly perilous; that departures are attended with danger, that in multiplicity of purpose there is opportunity for mistake and that the safer course lies in not attempting experiments.

Of course, there is truth in the theory that what has succeeded forms a good precedent for what will succeed in the future. Must we, however, make the admission that our intelligence and capacity are so limited that we cannot adapt ourselves to new conditions, cannot take on new functions when called for by the necessities or convenience of those we serve? Are we so limited that we cannot maintain safety and at the same time multiply activities?

If the little country cross roads bank can not only receive and pay out the deposits of its customers, but make loans, buy and sell real estate, do a fire and tornado insurance business, look after estates and attend to the affairs of the widow and give advice and assistance to the unfortunate, say nothing about his part, sometimes a dominant one, in the affairs of his community—if the country banker can do all this and do it honestly, safely and with ability, then why should there be anything to limit the city banker doing likewise unless it be his capacity or the laws which partly through his own fault fail to give him the necessary authority to do?

But whatever may be our theories or opinions about the matter, we must wake up or we will be standing still while others pass us. We may be still doing our duties at the old stand but others may find wide and useful fields to cultivate. On the one hand the national government may be

taking over functions which we did not seize or others which we did not efficiently perform and on the other, new agencies may come into being to fill the want that we failed to supply. We should not only be alive to the trend of events, to the new demands of the times, to the increasing agencies for carrying on business, but we must make ourselves able to meet the new issues and willing to undertake what may be necessary.

NOTE: Next month, "The Duty of a Savings Bank to the Community."

THE THRIFT FILM

The new thrift film, "The Dollar and the Law," produced by the Vitagraph Company of America, will undoubtedly prove very effective in making the Nation-wide Thrift Campaign more popular.

There are many features of the picture which would lead the public to the savings bank; which would show the public the necessity for saving in order to become happy and prosperous. The



LOLA BRANDT (LILLIAN WALKER) ORGANIZES A THRIFT CLUB

heroine of the story (Lola Brandt) starts a thrift club while at college, through which she is working her way.

This film, which consists of five reels, may be secured by making application to any local moving picture house, requesting it in turn to apply for the picture to the nearest distributing agency of Vitagraph films. Any further information may be obtained by communicating with the Secretary of the Savings Bank Section.

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JEROME THRALLS, Five Nassau Street, New York City.

BRIEF REVIEW AND ANALYSIS OF CHECK CLEARING AND COLLECTION PROBLEM

One of the most valuable features of the Federal Reserve Act is that it legalizes co-operation on the part of banks and makes honorable in the eyes of the people the practice of pooling assets as a protection against emergencies, a thing that was most bitterly condemned when practiced under slightly different circumstances even though it was when so condemned the only means of saving thousands of firms, individuals and corporations from financial ruin and of protecting the credit of the nation when the financial affairs of the government were on the rocks. This same Act, through the provisions of Section 16, forces co-operation under conditions that deprive banks from receiving compensation for services which they render to the public, entailing risk, expense and labor and for which they are entitled under all laws of fairness and equity to receive pay. It is certain that the framers of the Act intended that the drawers of checks should be made to bear the burden of the expense of collecting and remitting for such items. In other words the law makers recognized the principle that it is the duty of the debtor to bear the expense of liquidating his indebtedness, but unfortunately the system of clearing and collecting checks that has been worked out and installed under order of the Federal Reserve Board operates largely in the direction of defeating this principle. It throws the burden of the expense of collecting and remitting as well as the time loss, temporarily at least, upon the interior banks, thereby depriving them of legitimate profits.

The reports of the Board and the Federal reserve banks lead those who are not familiar with collecting and clearing cash items to believe that the system is a marked success, while as a matter of fact those directly in charge and re-

sponsible for its operations are not agreed as to its feasibility or desirability; some hold the opinion that the Federal reserve banks should not do actual clearing and collection service, but should be regulators of exchange only; others hold that the Federal reserve banks should undertake to handle the bulk of the items while still others maintain that the provisions for clearing and collecting checks are not essential to a reserve system contemplated to give the needed element of elasticity to the currency, to provide a place of rediscount and to husband and protect the nation's gold supply.

Volume of Business

The volume of items handled by the twelve Federal reserve banks for the month ending September 15, 1916, showed an increase of thirty-two and four-tenths per cent. over the previous month. The number of items handled showed an increase of thirty-three and two-tenths per cent. reaching a daily average of 177,397, which is comparatively small when it is considered that a commercial bank with slightly over forty millions of dollars of deposits often handles an average of more than 60,000 items in a day's business. Arrangements have been made whereby the Federal reserve banks can collect at par so far as concerns exchange, items on more than 7000 non-member state banks, but there is a growing dissatisfaction regarding the system as was clearly evidenced by the resolutions adopted at Kansas City, Mo., September 26, 1916, by the biggest independent gathering of country bankers, save one, that was ever held in America.

Loyalty to Reserve System

The bankers throughout the country have shown unusual loyalty to the Federal reserve system. They are interested in developing the most

NATIONAL BANK SECTION

OFFICERS OF THE NATIONAL BANK SECTION

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

CHAIRMAN EXECUTIVE COMMITTEE
OLIVER J. SANDS, President American National Bank,
Richmond, Va.

VICE-PRESIDENT
J. ELWOOD COX, President Commercial National Bank,
High Point, N. C.

SECRETARY
JEROME THRALLS, Five Nassau Street, New York City.

economical methods and systems for collecting and clearing items but want the law amended and the clearing plan modified in such way as will make its operations fair and equitable to all banks, and will allow merchants, manufacturers and other bank customers to receive benefits only to the extent that savings are effected.

On May 1, 1916, the Federal Reserve Board announced its so-called nation-wide clearing plan.

Clearing House Section Makes Initial Move

May 8, 1916, the Executive Committee of the Clearing House Section of the American Bankers Association adopted resolutions recommending: first, postponement of the inauguration of the plan, giving bankers opportunity to consider and digest it and to confer with the Federal Reserve Board; second, limiting the items to be handled by any Federal reserve district to those payable in its own district (or sub-district), except possibly items on reserve or central reserve city banks; third, that member banks be allowed a reasonable exchange charge for items cleared by them. Member banks charging such exchange to be charged in turn relatively higher rates by the Federal reserve banks on items they may clear for or bearing the indorsement of such member banks; fourth, that actual returns must be received by Federal reserve banks for items before said items are charged to the accounts of members, and that penalties be fixed for delayed returns.

Referred to Joint Committee

May 9, 1916, the above resolutions were referred to the Executive Council of the American Bankers Association, thoroughly discussed and then referred to a joint meeting of the Executive Committees of the Clearing House and National Bank Sections.

Action of A. B. A. Executive Council

May 10, 1916, the joint committee reported to the Executive Council that there existed sub-

stantial reasons for concern because of the radical and violent changes contemplated in a system that had developed through years of commercial practice, and urged that effort be made to have the inauguration of the system postponed until representatives of the American Bankers Association had been given opportunity to thoroughly study and discuss all of its details with the Federal Reserve Board.

Committee of Five

May 10, 1916, the Executive Council of the American Bankers Association adopted a resolution providing for the appointment of a committee of five and directing said committee to confer with the Federal Reserve Board, and if favorable action on the recommendations of the joint committee be not secured to then confer with the Executive Committees of the Clearing House and National Bank Sections. The three committees acting jointly to have the privilege of taking such further action as in their judgment be deemed necessary.

The committee of five conferred with the Federal Reserve Board requesting postponement of the inauguration of the plan to January, 1917. Following this conference the Federal Reserve Board announced that the inauguration of the plan would be postponed for thirty days.

Administrative Committee of A. B. A.

The Administrative Committee of the American Bankers Association recommended that the committee of five, and the Executive Committees of the Clearing House and National Bank Sections should call upon the Committee on Federal Legislation to have introduced in Congress an amendment to Section 16 of the Federal Reserve Act eliminating therefrom the provisions for par collections, and giving the Federal Reserve Board power to fix reasonable charges for the collection of checks.

Conference of Country Bankers

June 10, 1916, a conference of bankers representing the bankers' associations of eighteen states was held at St. Louis, and adopted resolutions—

- (1) declaring the proposed clearing system to be unnecessary; economically unsound and prejudicial to the general business interests.
- (2) calling for the repeal of Section 16 of the Federal Reserve Act.
- (3) providing for the appointment of an Administrative Committee to consist of one man from each state.
- (4) authorizing said committee to co-operate with the American Bankers Association, and to take such steps as are necessary to obtain a judicial interpretation as to the constitutionality of the law, etc.

July 11, 1916, the Administrative Committee of the Conference of Country Bankers met in Washington, D. C., and appointed a sub-committee, directed that committee to consult eminent counsel and if the sub-committee then deemed it advisable, to institute proceedings to test the constitutionality of Section 16, and to restrain the Federal Reserve Board from enforcing the rule that country banks shall remit to the Federal reserve banks at par.

Institution of suit was delayed pending discussion of the whole question in a general meeting to be held at Kansas City.

Tentative Amendment Prepared by A. B. A.

A tentative amendment to Section 16 was prepared by the Committee on Federal Legislation of the American Bankers Association, but its introduction was delayed in order that the claims for its passage might be based upon defects proved by actual experience, and that opportunity for a full discussion of the question might be had at the general convention of the American Bankers Association.

The order of the Postmaster General requiring certain postmasters to collect checks and drafts for Federal reserve banks without charge in order to force state banks to remit at par was rescinded.

H. R. Bill 17606 was introduced in Congress by Hon. Claude E. Kitchin.

Country Bankers Meet at Kansas City

September 26, 1916, the most representative gathering of country bankers ever held in America assembled in Convention Hall at Kansas City, Mo., and adopted resolutions protesting against the collection feature of the Federal reserve system as being an invasion of the legitimate functions of banking by the Federal reserve banks, and as being unjust and undemocratic, and indorsing the action of the Conference of Bankers held at St. Louis, June 10, 1916, and authorizing the continuance of the efforts to secure relief through Congress, and in event of failure to then ask the courts for an interpretation as to the constitutionality of the law.

Words Mislead the Public

September 27, 1916, the National Bank Section of the American Bankers Association passed a resolution requesting all banks to discontinue the practice of encouraging the public in having printed on personal checks the words "Collectible at Par through the Federal Reserve Bank" until such time as the member banks are able to get credit at par for and immediate use of funds represented by such items at the Federal reserve banks.

Origin of the Committee of Twenty-Five

September 28, 1916, the American Bankers Association in convention at Kansas City adopted a resolution providing for the appointment of a Committee of Twenty-Five—fifteen representative country bankers and ten representative reserve city bankers—and charging this Committee with the responsibility of working out a collection and clearing plan, nation wide in its scope and which will be fair and equitable to all banks and to the general business interests of the country.

The Committee of Twenty-Five have pledged their very best efforts to bring about the proper solution of the clearing question, and are now doing valuable work preliminary to the first meeting of the committee which will likely be held in November, 1916.

MONTHLY CLEARINGS

ECONOMY IN COUNTRY CLEARINGS

The Detroit Country Clearing House promises to save \$50,000—for its members on the expense of handling cash items during the first year of its existence.

COUNTRY CLEARING HOUSE FOR BALTIMORE

The banks of Baltimore, Md. are preparing to open a country clearing house.

INDORSES CLEARING HOUSE EXAMINATIONS

The conference of Clearing House examiners and managers held at Kansas City, Sept. 26, 1916, declared the country Clearing House and the examination features to be two of the most important functions of the Clearing House.

CASH PRIZES TO FARMERS

The Chattanooga, Tenn., Clearing House Association is promoting better farming methods by awarding cash prizes to farmers for producing the biggest yield and best quality in the various crops of that community.

COMMUNITY ADVERTISING

The Des Moines, Iowa, Clearing House Association saves its members considerable annoyance and expense by handling in a community way all bank advertising including the publishing of the sworn financial statements.

FIVE TIMES REPAID

A Clearing House examiner from a distant city remarked at the close of the conference, "What I have gained through these discussions has five times repaid me for the trouble and expense of attending the convention."

HIGH COST OF CLEARINGS

The expense of operating the Boston Country Clearing House has materially increased since that department was taken over by the Federal Reserve Bank of Boston.

CONVENIENT SETTLEMENTS

The Boston Clearing House Association finds the settlement of balances through check on the Federal reserve bank both convenient and economical.

BOOST THE BAROMETER TO 100

Bank clearings represent less than fifty per cent. of the business actually transacted.

Total bank transactions represent ninety-six per cent. of the business transacted in any community. Only thirty-one cities are now reporting. It is hoped to increase the number of cities reporting to 100 during the year. These figures are the best barometer of the business growth and development of the country.

DEVELOPING A NEW SYMBOL

More than 8,000 banks are saving money and time through the use of the "No-Protest" symbol plan recently inaugurated by the Clearing House Section. A similar plan is being developed for use in conveying instructions regarding the wiring of non-payment. This latter plan will be announced in detail at an early date.

FREE INFORMATION

The Clearing House Section will furnish free to those interested in organizing a new Clearing House or in extending the functions of those already organized, a book giving full information as to the origin, development functions and operations of the Clearing House, including suggested articles of association.

DISTRICT NUMBERS

Banks will materially facilitate the handling of checks and drafts by having imprinted across the middle thereof in large hair-line type the number of their respective Federal reserve districts.

NUMERICAL SYSTEM

The Key to the Universal Numerical System costs only \$1.50. Every bank should use the system. The key will be supplied on your order by the Clearing House Section or by Rand, McNally and Company of Chicago.

BOOK OF FORMS

The Clearing House Section has a few morocco bound books of forms which will be supplied to members of the American Bankers Association at \$5 each and to others at \$7.50. This book contains 300 suggested forms for use of state and national banks and a treatise on bank accounting.

STATE SECRETARIES SECTION

OFFICERS OF THE STATE SECRETARIES SECTION

PRESIDENT

S. B. RANKIN, Secretary Ohio Bankers Association, Columbus, Ohio.

FIRST VICE-PRESIDENT

GEORGE D. BARTLETT, Secretary Wisconsin Bankers Association, Milwaukee, Wis.

SECOND VICE-PRESIDENT

FREDERICK H. COLBURN, Secretary California Bankers Association, San Francisco, Cal.

SECRETARY-TREASURER

W. A. PHILPOTT, JR., Secretary Texas Bankers Association, Dallas, Tex.

McLANE TILTON RESIGNS

McLane Tilton, Jr., president of the First National Bank of Pell City, Ala., has resigned as secretary-treasurer of the Alabama Bankers Association. In his letter to President Thomas, Mr. Tilton said that he offered his resignation with sincere regret but that he felt ten years' service was honor enough for one member, that he had not time to devote to the duties of the office and that maximum efficiency now demands a secretary who will give his entire time to the work with permanent headquarters established in one of the state's leading banking centers. The concluding paragraph of Mr. Tilton's letter is as follows:

"My connection with the association has been one of the greatest pleasures of my life, howsoever much my services to it might have required personal sacrifices. The friendships I have made among its members I value beyond price. If I could only feel that I have done for them a small part of what they have done for me, I would indeed be content."

ILLINOIS ASSOCIATION

Danville, Ill., was host to the twenty-sixth annual gathering of the members of the Illinois Bankers Association, October 3, 4 and 5. Joseph G. Cannon spoke at the banquet, on banking in Illinois fifty years ago. Eugene Lamb Richards, superintendent of banking, state of New York, told the convention how, in his estimation, the banking millennium could be brought nearer.

The convention adopted a resolution empowering a committee appointed for the purpose to present to the Illinois legislature a bill providing for state supervision of private banks and the creation of a state banking department.

Members of the American Bankers Association attending the Illinois meeting elected the

following to represent their state in the national Association:

Member Executive Council, George Woodruff, president First National Bank, Joliet; Vice-President for Illinois, Elmer F. Adams, cashier Ogden Avenue State Bank, Chicago; Vice-President National Bank Section, Chandler Starr, cashier Winnebago National Bank, Rockford; Member Nominating Committee, M. A. Traylor, president Live Stock Exchange National Bank, Chicago; Alternate Member Nominating Committee, John B. Jackson, cashier Anna National Bank, Anna.

The officers who will conduct the business of the Association for the ensuing year are: President, W. S. Rearick, president Bank of Skiles, Rearick and Company, Ashland; Vice-President, Robert R. Ward, vice-president Benton State Bank, Benton; Chairman Executive Council, Charles H. Ireland, cashier Washburn Bank, Washburn; Secretary, R. L. Crampton, 208 South La Salle Street, Chicago; Treasurer, Hez. G. Henry, cashier Peoples Bank, Camp Point.

KENTUCKY BANKERS MEETING

On October 10 there convened in Paducah, Ky., the twenty-fourth annual gathering of the Kentucky Bankers Association. The convention was called to order by President Max B. Nahm, of Bowling Green. Charles K. Wheeler, of Paducah, made the address of welcome, and John G. Winn, of Sterling, responded.

The new officers of the Kentucky Bankers Association are: President, W. F. Bradshaw, Jr., president Mechanics Trust and Savings Bank, Paducah; Treasurer, H. D. Ormsby, vice-president National Bank of Kentucky, Louisville, re-elected; Secretary, Arch B. Davis, American National Bank Building, Louisville, re-elected.

The Kentucky members of the American Bankers Association elected the following Vice-

President for Kentucky: Eugene E. Hoge, vice-president State National Bank, Frankfort.

The 1917 meeting of the Kentucky association will be held in Louisville.

INDIANA CONVENTION

The Indiana Bankers Association held its twentieth annual convention in Indianapolis, October 24 and 25. The convention was called to order in the Riley Room of the Claypool Hotel. Mayor Joseph E. Bell, of Indianapolis, delivered the address of welcome and Henry Reis, president Old State National Bank, Evansville, responded. The association's secretary and treasurer, and group chairmen made their reports following the annual address of the president, Frank J. Pitner. Dr. A. C. Miller, member of the Federal Reserve Board, made an address entitled "The Federal Reserve Bank: Looking Ahead." A digest of this address appears elsewhere in this issue.

The following officers were elected for the ensuing year: President, Joseph L. Bayard, Jr., president First National Bank, Vincennes; vice-president, F. E. Davis, president Citizens National Bank, Tipton; secretary, Andrew Smith, vice-president Indiana National Bank, Indianapolis (re-elected); treasurer, James S. Royce, president Terre Haute Trust Company, Terre Haute.

Indiana members of the American Bankers Association elected the following: Vice-president for Indiana, J. V. Carpenter, assistant cashier Brazil Trust Company, Brazil; member Executive Council, J. P. Frenzel, Jr., cashier Merchants National Bank, Indianapolis.

DISTRICT ELECTIONS

At its annual meeting October 23, the District of Columbia Bankers Association elected the following officers: President, John Poole, president Federal National Bank; first vice-president, Cor-

coran Thom, vice-president American Security and Trust Company; second vice-president, A. G. Clapham, president Commercial National Bank. Edmund S. Wolfe, cashier District National Bank and Albert S. Gatley, cashier Lincoln National Bank, were re-elected secretary and treasurer, respectively. Unanimous approval was given to the re-election of Capt. James F. Oyster as Class B director of the Federal Reserve Bank of Richmond.

NEBRASKA ELECTIONS

On October 24 and 25 the Nebraska Bankers Association held its twentieth annual convention in Omaha. The election of officers resulted as follows: President, Dan Morris, president City National Bank, Kearney; secretary, William B. Hughes, manager Omaha Clearing House, Omaha (re-elected); treasurer, J. F. Coad, president Packers National Bank, South Omaha. A. N. Mathers, president Gering National Bank, Gering, was named chairman of the Executive Council.

At the meeting of the Nebraska members of the American Bankers Association the following were elected: Member Executive Council, R. O. Marnell, cashier Merchants National Bank, Nebraska City; vice-president for Indiana, Wood Cones, president Pierce County Bank, Pierce.

CONVENTION CALENDAR

Nov. 10-11 Arizona Phoenix
 Nov. 14-15 New Mexico Albuquerque

1917 Conventions

May 10-12 Alabama Mobile
 May 15-17 Texas El Paso
 May 22-23 Missouri
 _____ Idaho Boise
 _____ North Dakota Fargo
 _____ South Dakota Huron
 June _____ Wyoming
 _____ Kentucky Louisville



STATE BANK SECTION

OFFICERS OF THE STATE BANK SECTION

PRESIDENT

J. H. PUELICHER, Vice-Pres. Marshall & Ilsley Bank, Milwaukee, Wis.

FIRST VICE-PRESIDENT

E. D. HUXFORD, Pres. Cherokee State Bank, Cherokee, Iowa.

CHAIRMAN EXECUTIVE COMMITTEE

C. B. HAZLEWOOD, Ass't to Pres. Union Trust Company, Chicago, Ill.

SECRETARY

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

CONSTRUCTIVE PURPOSE AND DEMOCRATIC SPIRIT

THE State Bank Section of the American Bankers Association has started on its career with all the elements of success, and its field for usefulness is almost unlimited. The purpose of the State Bank Section is to serve the interests of state banks and such trust companies and savings banks as are engaged in commercial banking. In practical operation such purpose implies the co-operation of state banking institutions, not only with one another, but also with national banks—considered individually and as members of the Federal reserve system—in the promotion of better banking methods and better banking laws. The State Bank Section—its career, its policy, its success—will be what its members make it; and its membership will be democratic at all times and under all circumstances, regardless of size, age, ancestry or location. The crystallized thought and united action of the officers and directors of the 20,000 state banking institutions of America ought to be a potent influence for good.

STATE VICE-PRESIDENTS

Vice-Presidents of the Section for the different states have been appointed as follows:

Arizona—M. Goldwater, president Commercial Trust and Savings Bank, Prescott.
Alabama—Tom O. Smith, vice-president Birmingham Trust & Savings Bank, Birmingham.
Arkansas—W. L. Hemingway, president Mercantile Trust Company, Little Rock.
California—J. Lucas Williams, vice-president Bank of Italy, San Francisco.
Colorado—B. F. Clark, vice-president Colorado State & Savings Bank, Denver.
Connecticut—Charles E. Hoyt, secretary and treasurer South Norwalk Trust Company, South Norwalk.
District of Columbia—B. F. Saul, president Home Savings Bank, Washington.
Delaware—Roland G. Paynter, vice-president Farmers Bank, Georgetown.
Georgia—R. W. Sizer, cashier American State Bank, Athens.
Florida—S. A. Wood, cashier Volusia County Bank, DeLand.

Idaho—H. L. Day, president Wallace Bank & Trust Company, Wallace.
Illinois—S. B. Montgomery, president State Savings Loan & Trust Co., Quincy.
Indiana—W. W. Rogers, cashier Studebaker Bank, Bluffton.
Iowa—J. H. Ingwersen, president Peoples Trust & Savings Bank, Clinton.
Kansas—C. N. Prouty, cashier Exchange State Bank, Kansas City.
Kentucky—R. W. Delph, cashier Kentucky Title Savings Bank & Trust Co., Louisville.
Louisiana—J. W. Bolton, president Rapides Bank, Alexandria.
Maine—Ernest J. Eddy, president Fidelity Trust Company, Portland.
Maryland—Wm. B. Spiva, cashier Bank of Somerset, Princess Anne.
Massachusetts—H. P. Stone, vice-president Commonwealth Trust Company, Boston.
Michigan—John H. Johnson, president Peninsular State Bank, Detroit.
Minnesota—W. F. McLane, cashier Hennepin County Savings Bank, Minneapolis.
Mississippi—T. W. Yates, cashier Commercial Bank & Trust Company, Laurel.
Montana—E. J. Bowman, president Daly Bank & Trust Company, Anaconda.
Missouri—W. J. D. McCarter, assistant cashier St. Louis Union Bank, St. Louis.
Nebraska—J. R. Cain, Jr., vice-president State Bank of Omaha, Omaha.
Nevada—C. W. Foote, cashier Churchill County Bank, Fallon.
New Hampshire—Wm. D. Swart, vice-president Nashua Trust Company, Nashua.
New Jersey—Robt. W. Howell, cashier Trenton Banking Company, Trenton.
New Mexico—Arthur C. Raithel, cashier Bank of Deming, Deming.
New York—Walter E. Frew, president Corn Exchange Bank, New York City.
North Dakota—H. P. Beckwith, vice-president Scandinavian American Bank, Minot.
North Carolina—W. A. Hunt, cashier Citizens Bank, Henderson.
Ohio—W. R. Craven, vice-president Dayton Savings & Trust Company, Dayton.
Oklahoma—A. D. Kennedy, president Bank of Commerce, Okmulgee.
Oregon—E. A. Wyld, vice-president Security Savings & Trust Company, Portland.
Pennsylvania—B. M. Marlin, secretary and treasurer Union Bank & Trust Company, Du Bois.
Rhode Island—H. W. Fitz, vice-president Slater Trust Company, Pawtucket.
South Carolina—Robt. I. Woodside, president Farmers & Merchants Bank, Greenville.

South Dakota—Wm. Hoes, cashier Farmers & Merchants State Bank, Spencer.
 Tennessee—Fred Collins, cashier Milan Banking Company, Milan.
 Texas—H. C. Poe, president Temple State Bank, Temple.
 Utah—E. O. Howard, cashier Walker Bros., Salt Lake City.
 Virginia—C. L. Williams, cashier Richmond Bank & Trust Company, Richmond.
 Vermont—C. S. Webster, treasurer Barton Savings Bank & Trust Company, Barton.
 Washington—L. H. Woolfolk, assistant cashier Scandinavian American Bank, Seattle.
 West Virginia—H. W. Chudduck, cashier Grafton Banking & Trust Company, Grafton.
 Wisconsin—S. M. Smith, cashier Merchants & Savings Bank, Janesville.
 Wyoming—Herman Hegewald, president First State Bank, Laramie.

EXPRESSIONS OF SENTIMENT

At the Illinois Bankers Association Convention at Danville on October 4 and 5 President George Woodruff called on C. B. Hazlewood of the Union Trust Company, Chicago, Chairman of the Executive Committee of the State Bank Section, to make an announcement regarding the new organization. Mr. Hazlewood stated that in his opinion the new Section would be the largest numerically of any in the American Bankers Association, and should include, at least, 8,000 state banks and trust companies doing a commercial business in all parts of the country, and both city and country banks. He stated that the work of the Section for the first year, at least, would be to establish its membership, to find out what the state bankers in the country think of the Federal Reserve Act, what changes should be made to make this system attractive to state banks, and to codify for ready information the banking laws of various states. The officers and the Executive Committee of the new Section have an entirely open mind on the questions in relation to the Federal reserve system, and they will endeavor to obtain the consensus of opinion on these matters from their membership.

Vice-President J. R. Cain, Jr., of Omaha, was called upon at the Nebraska Bankers Association to say something about the State Bank Section, and responded in part as follows: "I believe that every Nebraska banker who has caught the vision of the value of Association membership is greatly rejoiced at the splendid increase of Nebraska memberships in our great American Bankers Association. The great growth of the American Bankers Association and its earnest desire to be of effective assistance to all branches of banking, has made it necessary

and desirable, to create from time to time various sections where the interest would be more mutual. In accordance with this idea, the Trust Company Section, the Savings Bank Section, the Clearing House Section, the State Secretaries Section, the National Bank Section, have been created, and this year at Kansas City the State Bankers Section came into existence. The meeting was well attended and enthusiastic. General Secretary Farnsworth was present and gave hearty approval of the plan. There is no intention or desire to in any way interfere with the great work of the Association; on the contrary, the only thought was to co-operate and work in harmony with the parent Association, and at the same time have in mind at all times the interests and welfare of the state bank members. In Nebraska, state banks largely predominate. There have always existed excellent reasons for state banks to join the American Association, but now there is an additional incentive. The chairman of the Executive Council of the State Bank Section is in the city and he has authorized me to assure you that the large state banks will not be permitted to control the affairs of the Section, as the Section will not be committed to any fixed or definite policies until after the attitude of the member banks has been determined by a referendum vote.

TEMPORARY SECRETARY

President John H. Puelicher and Chairman Craig B. Hazlewood of the Executive Committee of the State Bank Section were present by invitation at the meeting of the Administrative Committee of the American Bankers Association in New York, October 30 and 31. Plans of operation were discussed, and after giving the matter full consideration, it was deemed wise to select George E. Allen temporarily as Secretary of the Section. The appointment of Mr. Allen was approved by President E. G. McWilliam of the American Institute of Banking Section, who signified his desire that the Institute and its officers should co-operate with the American Bankers Association in every possible way. It is understood that in his service as Secretary of the State Bank Section Mr. Allen shall be provided with such assistance as will enable him to do the work of Educational Director of the Institute as heretofore.

BULLETIN

OF THE

AMERICAN INSTITUTE OF BANKING

INSTITUTE EXECUTIVE COUNCIL

1917—ROBERT H. BEAN (*ex-officio*), Casco Mercantile Trust Company, Portland, Me.; H. G. PROCTOR (*ex-officio*), Richmond Clearing Association, Richmond, Va.; FRANK C. BALL, Mississippi Valley Trust Company, St. Louis, Mo.; FRANK B. DEVEREUX, National Savings & Trust Company, Washington, D. C.; R. S. HECHT, Hibernia Bank & Trust Company, New Orleans, La.; JOHN W. RUBECAMP, Corn Exchange Bank, Chicago, Ill.

1918—E. G. McWILLIAM (*ex-officio*), Security Trust & Savings Bank, Los Angeles, Cal.; S. D. BECKLEY, City National Bank, Dallas, Tex.; HARRY E. HEBRANK, Union National Bank, Pittsburgh, Pa.; R. H. MACMICHAEL, Dexter Horton Trust & Savings Bank, Seattle, Wash.; R. A. NEWELL, First National Bank, San Francisco, Cal.

1919—GEO. F. KANE, Society for Savings, Hartford, Conn.; C. H. CHENEY, First National Bank, Kansas City, Mo.; WM. A. NICKERT, Eighth National Bank, Philadelphia, Pa.; JAMES RATTRAY, Bank of Buffalo, Buffalo, N. Y.

OFFICERS OF THE INSTITUTE

President, E. G. McWILLIAM, Security Trust & Savings Bank, Los Angeles, Cal. *Vice-President*, H. G. PROCTOR, Richmond Clearing Association, Richmond, Va. *Educational Director*, GEORGE E. ALLEN, Five Nassau Street, New York City. *Assistant to Educational Director*, M. W. HARRISON, Five Nassau Street, New York City. *Board of Regents*—O. M. W. SPRAGUE, Chairman, Professor of Banking and Finance in Harvard University, Cambridge, Mass.; E. W. KEMMERER, Professor of Banking and Economics in Princeton University, Princeton, N. J.; HAROLD J. DREHER, National City Bank, New York City; C. W. ALLENDOERFER, First National Bank, Kansas City, Mo.; GEORGE E. ALLEN, Secretary, Five Nassau Street, New York City.

President McWilliam Discusses the Institute and Its Prospects

Special Opportunities for Effective Work During the Ensuing Year—Division of Chapters Among Members of the Executive Council—Appointment of Committees.

By E. G. McWILLIAM
President, American Institute of Banking

I WISH that every one of you might have attended the Cincinnati convention. If each of you could have had the privilege which was mine, of looking into the faces of the more than five hundred delegates who attended that convention, I am sure you would have caught some of that enthusiasm and pride in what the Institute has accomplished in the past, which would have sent you back to your Chapters resolved to bring the advantages offered by the Institute to many another young man during the year just beginning, and as a result this year would go down into history, as each of the others have, marking a still higher record of achievement in Institute work.

And if you could have attended the convention of the American Bankers Association at Kansas City and noted how rapidly the younger bank officers, products of the Institute, are being called

upon to assume positions of honor and responsibility in that Association, you would begin to realize what a potent factor the Institute is becoming in the financial world. This was especially brought home to me at the Institute dinner given by Kansas City Chapter to all Institute men in attendance at that convention, for at said dinner there were twenty-two Chapters of the Institute represented.

Is it to be wondered at then that we who have observed the miracles which have been wrought by the Institute, not merely in our own lives but in the lives of thousands of young bank men throughout the country, are eager to expand its influence until every bank man, whether he be located in the isolated country bank or in the great city bank, is brought within that influence?

There is a grave danger, however, that the members of some Chapters who have not caught something of the real spirit of the Institute, either through attendance at conventions or visits to other Chapters, will gradually come to feel that their particular Chapter is the Institute and will either become discouraged if their work does not flourish as they had hoped or will feel that they are "sufficient unto themselves," if the work proves

unusually successful in their city. If every one of our members could only realize the bigness of the Institute—that he is but one of more than eighteen thousand members, all striving for the same thing and that out of the multiplicity of individual effort comes the aggregate result by which the Institute stands or falls. I am sure that those who become discouraged would take on new courage because they are contributing something, no matter how little, to the total result, and those who are achieving much would take a new pride in their achievements because of the satisfaction of assisting in a great movement and the joy of comradeship in that work.

And now what of the new year? This is not *my* administration; it is *yours*, as every other year of Institute work has been. The President is simply an incident; here today, gone tomorrow, but the Institute goes on forever, increasing its usefulness through the individual efforts of its members.

The measure of our success is our ability to produce graduates. To bankers unfamiliar with our work, the great intangible influence which the Institute is wielding in the lives of men and communities means little. They demand tangible results and by pointing to an ever-increasing number of graduates each year is the only way in which we can demonstrate our practical value. Let us therefore redouble our efforts this year to produce graduates. There are many who each year attend Chapter courses but do not take final examinations. Urge them to do so, not so much perhaps because of benefit to themselves, but because of the influence it will have on others and the good it will do the cause. Still others pursue one course in which they are particularly interested and neglect the second. Urge them to complete the Institute course. Let this be a year of results.

In appointing committees this year it will be my policy to have the Chapters of the Institute more generally represented in national affairs, believing that only through enlisting the active interest of representative Institute men in all sections of the county may we develop that co-operation among Chapters so necessary to our success as a whole. I am especially anxious that the smaller Chapters shall have a larger part in our affairs, and if necessary shall enlarge committees

to that end. In order to accomplish this, it may be necessary to omit Chapters now represented upon the Executive Council from committees, but I am sure with a clear understanding of the object to be attained, all will co-operate.

With a view to making the Executive Council a truly executive body, I plan to divide the Chapters of the Institute into groups conforming as nearly as practicable to the Federal Reserve Districts, with a member of the Executive Council in charge of each district. Each member of the Council will be requested to keep in close touch with the Chapters in his district and will secure from them monthly reports for purposes of interchange of ideas among all Chapter presidents according to the plan so successfully inaugurated by President Bean. It will also be the duty of each councilman to assist in furthering the correspondence work in the states in his district and possibly to visit certain Chapters as suggested by the educational director.

The Thrift work must be continued but I hope this year instead of having three sources from which the work is more or less directed and by whom reports are required, to have but one, which will be a combination of the Public Affairs and Thrift Committees of last year and through which the Secretary of the Savings Bank Section may make his suggestions to the various Chapters. This will, I believe, make for greater efficiency and take less time of the busy men who give their efforts to this work in their respective communities.

I would, however, make one suggestion in connection with this work. I believe that a larger service will be rendered both public and banks if in connection with the Thrift movement greater emphasis is placed upon educating people in the nature and functions of the various classes of financial institutions with which they are brought in daily contact. The majority of bank runs are started through ignorance and undoubtedly the lack of co-operation between banks and public in many localities is due to the same cause. Let us therefore make our campaign in the future, as has already been done in some Chapters in the past, more of the practical and less of platitudes.

We must continue our co-operation in the matter of military instruction and I have in mind another committee to be known as the Membership

Committee, whose duty it shall be to gather together methods employed in various Chapters for bringing Institute work forcibly to the attention of bank men and the dissemination of such information to all Chapters needing assistance in that particular.

Under the direction of our educational director and the Board of Regents our courses are now upon a higher plane than ever before and if we may all co-operate along the lines suggested above there is no reason why this should not be the greatest year for results in our history.

I was greatly impressed by the recent remark of an officer of a great trust company who said, "Our greatest problem is the making of men." The American Institute of Banking besides making bankers is, best of all, making men. Let us therefore during this year, whether we like what the President or any other individual does or not, all pull together in this great work, remembering that in this as in all else "he best serves himself who best serves others."

Division of Chapters Among Executive Council

District No. 1—Kane—Boston, Hartford, New Haven, Pittsfield, Providence, Springfield, Waterbury.

District No. 2—Rattray—Albany, Buffalo, New York, Rochester, Syracuse, Utica.

District No. 3—Nickert—Philadelphia, Scranton, Wilkesbarre.

District No. 4—Hebrank—Cincinnati, Cleveland, Dayton, Pittsburgh, Toledo, Wheeling.

District No. 5—Devereaux—Baltimore, Charleston, Columbia, Raleigh, Richmond, Washington.

District No. 6—Hecht—Atlanta, Birmingham, Chattanooga, Jacksonville, Knoxville, Macon, Nashville, Savannah.

District No. 7 (also part of No. 9)—Rube-camp—Chicago, Detroit, Eau Claire, Grand Rapids, Indianapolis, Milwaukee, Minneapolis, St. Paul.

District No. 8—Ball—Little Rock, Louisville, Memphis, St. Louis.

District No. 9 (also north of Salt Lake in No. 12)—McMichael—Duluth, Grand Forks, Great Falls, Portland, Seattle, Spokane.

District No. 10 (part of No. 7)—Cheney—Denver, Des Moines, Kansas City, Omaha.

District No. 11—Beckley—Austin, Dallas, El Paso, Fort Worth, San Antonio, Waco.

District No. 12 (south of Salt Lake inclusive)—Newell—Los Angeles, Oakland, Sacramento, Salt Lake City, San Francisco.

Institute Committees

PROGRAM COMMITTEE—Joseph J. Schroeder (Chairman), National Bank of Republic, Chicago, Ill.; J. Howard Arthur, Peoples National Bank, Pittsburgh, Pa.; Wm. O. Bird, Colorado National Bank, Denver, Colo.; Louis C. George, Fifth-Third National Bank, Cincinnati, Ohio; L. J. Kaufman, Guardian Savings & Trust Co., Cleveland, Ohio.

COMMITTEE ON PUBLIC AFFAIRS—H. G. Proctor (Chairman), Richmond Co. Clearing Association, Richmond, Va.; C. B. Brombach, First and Security National Bank, Minneapolis, Minn.; Frank W. Bryant, Second National Bank, Boston, Mass.; Chas. C. Carter, Lowry National Bank, Atlanta, Ga.; Geo. J. Clark, Chicopee National Bank, Springfield, Mass.; Daniel P. Clifford, Home Savings Bank, Toledo, Ohio; Robert E. Cornish, German National Bank, Little Rock, Ark.; Jas. H. Daggett, Marshall & Ilsley Bank, Milwaukee, Wis.; Jas. D. Garrett, Central Savings Bank, Baltimore, Ohio; M. W. Harrison, American Bankers Association, New York, N. Y.; Bernard Johnson, Peninsular State Bank, Detroit, Mich.; M. B. Keith, Security National Bank, Dallas, Tex.; G. E. Maine, Dexter Horton Trust & Savings Bank, Seattle, Wash.; Godfrey J. Smith, National Commercial Bank, Albany, N. Y.; A. W. Taber, First National Bank, Chattanooga, Tenn.; Thos. H. West, Ladd & Tilton Bank, Portland, Ore.

COMMITTEE ON PUBLICITY—Eugene E. Culbreth, Commercial National Bank, Raleigh, N. C.; W. H. Dressler, Stockyards National Bank, Omaha, Nebraska; Fred W. Ellsworth, Guaranty Trust Company, New York, N. Y.; Raymond C. Gee, Fort Worth National Bank, Fort Worth, Tex.; L. L. Hardin, Bank of Columbia, S. C.; C. P. Hilty, First National Bank, Birmingham, Ala.; A. C. Jackson, North Dayton Savings Bank, Dayton, Ohio; A. M. Lommen, Scandinavian American Bank, Grand Forks, N. D.; Robert S. May, Waterbury National Bank, Waterbury, Conn.; J. A. Seaton, Fort Sutter National Bank, Sacramento, Cal.; J. H. Thompson, Savannah Bank

& Trust Company, Savannah, Ga.; J. R. Wells, First National Bank, Duluth, Minn.; Buford Wilson, American National Bank, Nashville, Tenn.; Fay E. Wright, East Side Savings Bank, Rochester, N. Y.

COMMITTEE ON MILITARY INSTRUCTION—Harold J. Dreher (Chairman), assistant cashier National City Bank, New York, N. Y.; Robt. H. Bean, treasurer Casco Mercantile Trust Co., Portland, Me.; Jos. Chapman, vice-president Northwestern National Bank, Minneapolis, Minn.; E. D. Hurlbert, president Merchants Loan & Trust Co., Chicago, Ill.; E. H. Stetson, president Citizens National Bank, Macon, Ga.; O. Howard Wolfe, assistant cashier Philadelphia National Bank, Philadelphia, Pa.

COMMITTEE ON PUBLIC SPEAKING AND DEBATE—Wm. A. Boyd (Chairman), First National Bank, Syracuse, N. Y.; Butler O. Bower, Hanover Bank, Wilkes-Barre, Pa.; A. E. Caldwell, Oakland Bank of Savings, Oakland, Cal.; L. C. Humes, First National Bank, Memphis, Tenn.; Wm. A. Marcus, Savings Union Bank & Trust Co., San Francisco, Cal.

COMMITTEE ON MEMBERSHIP—Hugh T. Owen (Chairman), First National Bank, Utica,

N. Y.; R. M. Bremer, Grand Rapids National Bank, Grand Rapids, Mich.; Chas. B. Campbell, Florida National Bank, Jacksonville, Fla.; N. P. Delander, Merchants National Bank, St. Paul, Minn.; H. Lee Early, American Southern National Bank, Louisville, Ky.; W. B. Kramer, Lackawanna Trust Company, Scranton, Pa.; F. T. Merrill, First National Bank, Great Falls, Mont.; H. J. Moore, First National Bank, San Francisco, Cal.; James S. Rogan, American National Bank, Austin, Tex.; Chas. S. Shaw, Third National Bank, Pittsfield, Mass.

COMMITTEE ON PRESIDENT'S CONFERENCE—Robert Lee Boyd (Chairman), National Exchange Bank, Wheeling, W. Va.; J. W. Bond, Walker Brothers, Salt Lake City, Utah; T. R. Croft, Peoples National Bank, Charleston, S. C.; Chas. A. Ham, Exchange National Bank, Spokane, Wash.; Clarence Kappers, Union National Bank, Eau Claire, Wis.; Wm. Pardue, State National Bank, San Antonio, Tex.; Geo. S. Sterling, First National Bank, New Haven, Conn.

DIRECTOR OF TRANSPORTATION—Geo. A. Jackson, Continental & Commercial National Bank, Chicago, Ill.

CLAYTON ACT APPLIED

A student from the west requests information relative to the application of the Clayton Act. The Clayton Act as originally enacted prohibited directors of member banks from serving as directors in other banking institutions except in certain specified cases. The idea was to prevent concentration of money on its distribution through a system of interlocking directorates. There was much opposition on the part of the banks, who supported the Kern amendment, which provides that with the consent of the Federal Reserve Board an officer, director, or employee of a member bank may serve as officer, director or employee of not more than two other banks, if such other bank or banks are not in "substantial competition" with such member bank. It is left to the Federal Reserve Board in passing upon applications to decide when "substantial competition" does or does not exist. All applications are subject to revocation

by the Board. Each case has been decided upon its merits, but the Board has taken the general position that the mere purchase by two banks of commercial paper in the open market, or making of loans on collateral securities having a wide market, or purchase of such securities need not necessarily or invariably be considered as indicating "substantial competition." "Substantial competition" is held to exist in cases where the resources of the banks are of such magnitude or of such character that the ability of the banks jointly to grant or to withhold credit, or otherwise to influence the conditions under which credit may be obtained, might constitute them a dominant factor in the general loan market, even though the character of the deposits carried by the institutions in question might be quite different. By September 19, 1916, the Board had passed favorably on 556 applications and adversely on 113.

Preparedness for National Defense and What It Means to Us

Synopsis of an Address at the Cincinnati Convention of the American Institute of Banking by Major C. E. Kilbourne of the General Staff of the United States Army.

"Preparedness for National Defense" is a subject on which much has been said and more has been written. But it is one that is so vital to the country at this time, and to our posterity, that I feel that any little thing I can do to help it along I should do. It seems to me that this country stands at the parting of the ways. We are like a man who has come to a fork in the road. If he is going any farther he must decide that he is going to take the one road or he is going to take the other. If he starts to follow one hesitatingly and then comes back and enters on the first one again, he will not arrive anywhere. There has never been a time in the history of the world when a decision as to its policy was more demanded of a nation than it is of the United States today. The war in Europe is a terrible warning to unprepared nations.

Science and civilization have done a great deal to improve the world; distance has been obliterated; the comforts of life have been extended to a degree that could not have been dreamed of fifty years ago; disease has largely been stamped out; science and civilization seem to have improved everything except one, and that is war. War is just as terrible today as it ever was.

If we are to believe the testimony of those who have visited the theater of war and reported on conditions there seems to have been no atrocities ever committed in history which have not characterized the wars of the last four years. We learn that families have been separated; that there are parents without the slightest knowledge of where their children are or even if they are alive; children who will never know their own names. We find worse than that. If some reports are true, women have been abducted. And so far as devastation is concerned, modern science has increased the destructiveness of war, probably twentyfold. There never was a sacked city in ancient times that was subject to the extent of ruin which has

been visited upon the magnificent monuments of art of the cities lying between the fighting lines and in the territory over which the different armies have passed. So war is a horrible thing, and it is a thing to be avoided by every means.

But the general feeling in this country seems to be "that is abroad—that cannot happen here." The fact is that the human mind is not so constituted—not so constructed—that it can receive and hold a sense of impending personal disaster. You read of train wrecks—you read of disease entering a family and carrying off every child within a week; you read of automobile smash-ups, the sinking of the *Titanic*, and of other terrible disasters; every day something happens, but you don't think when you go out on the street or when you take a journey that it is going to happen to you or to yours. Your mind will not grasp and hold that idea; that is, the normal mind will not do so. There is a certain form of insanity in which this premonition of disaster is prominent. As a healthy minded nation of optimists, we of this country have considered ourselves immune—we haven't taken this lesson home, or at least not thoroughly. We have felt that these things may happen elsewhere, but that they will not happen to us.

But I want to call your attention to the fact that three years ago the Belgians had that same feeling; they felt just as we do today; they went about their lives—they went about their loves; they raised their children; they tilled the soil; they had their manufactures; they beautified their cities; and they looked forward with assurance to the future, without thinking of the possibility of any such destruction as has come to them so suddenly. And Belgium, in one way, was more justified in feeling that way than we are, because the neutrality of Belgium was guaranteed by all the more powerful European nations.

So it behooves us—it behooves every American citizen, in my opinion, to think and figure whether war is possible, and if so, then it is the duty of every American citizen to try his best to avoid it, or if it be impossible to avoid it, then it is his plain duty to do his best to minimize its results. If war

is not possible, then what we are spending to-day is waste, an idle waste of both time and money, and the funds and the labor we are expending today on battleships, on coast fortifications, for munitions of war and for the support of the personnel of the army and navy would much better be spent, as Mr. Bryan has said, in the construction of roads and bridges, or other work to the material benefit of the nation.

The people of this country today seem to be divided into what might be roughly called three classes. The first are those who do not or will not believe that war can come to us. These people it is practically impossible to reach, unless they be reached as they were in France; remember that France had her pacifists and non-resistants, too, and many of them have seen their error, shouldered the rifle and died in the trenches. That seems about the only way we can reach the first class. Another class is already convinced, and merely ask to have the way pointed out to them and they will follow it. But there is a third class—a class of people who are too indifferent or too ignorant, or too selfish to think or care, and it is this third class that those with whom I have been associated for the last three or four years are hoping to reach and bring around to what we consider a safe plan.

There is much to be said for the first class. I don't condemn them out of hand, because they are idealists. I had a talk with one of them the other day, who said to me that he thought it was wrong for this country to make any preparation. He thought we shouldn't set the example of preparedness. He said the whole history of humanity showed that there was a growing sense of cohesion—a growing appreciation by one race of the other—by one country of the other, and that if everything went on to its logical end eventually we would arrive at the brotherhood of man, in which there would be but one nation. And he said that even at a sacrifice we should work towards that end. He called my attention to the fact that at one time one family would fight with another family for the possession of an especially good cave; and then that the cavemen of the hills would band together and they would go down into the valleys and attack the people living there, with a view of taking away from them some of the luxuries that the valley people had and the hill people lacked. Then eventually there was an intermixture in that way, as they

came to know each other better. Then the men from the other side of the hills came over, and there was the same fighting, followed by the same intermixture, as a result of which there finally came about the tribal formation, which, going through the same process, grew into that of the nation. He called my attention to the fact that not so many centuries ago northern France invited the co-operation of England to fight against southern France, while Burgundy besought the aid of the Germanic people to fight against northern France, and in spite of this, the French people stand to-day as the ideal of patriotism and cohesion. He said, why can't the whole world do that very same thing—and should not we work toward that end? The only answer I could make to him was that what he said was true, but that I noticed in every case in which this cohesion extended beyond a race, a special race, or a special nationality, that it was brought about by a strong race imposing its will upon a weaker race and holding it in bondage. Where countries have covered more than one nationality, that very thing has always been a cause of friction, or a cause of revolution or attempted revolution, and that, for my part, I was not willing as an American to become subject to any stronger race—that I preferred to postpone the brotherhood of man and to keep our own institutions untouched under our own flag!

In considering this matter of the possibility of war we must go somewhat into the causes of war and see how wars come about. To read the average history you would think that war came about very largely because of the ambition of a ruler or the pique of a woman who ruled the ruler, or perhaps a struggle for independence on the part of a subject race. Those on the surface at least seem to be the causes of ancient wars. But I believe if you will go into the subject a little further you will find that when the ambition of one of those rulers caused him to start a war he didn't start after a desert country, he usually started after a pretty good piece of country. If he wanted to annex something he tried to annex something that would enrich his own country. In other words, they were fighting for trade; they may not have known it exactly, but they were fighting very largely for trade. So the various wars that have occurred in the history of the world have, most of them, had their roots a great deal deeper than their apparent causes. I think very,

very few wars have occurred, unless the vital interests of two nations have been opposed to each other, and irreconcilably opposed. Then something will come along on which to hang a war, and if the ground has been plowed up and harrowed the seed of war will be sown. By uniformed people the great war of to-day is thought to be due to the assassination of the Austrian Prince. But I think that every man in this room knows that this war is really a war to decide who shall control the Slavic people of the Balkans—the Teutons or the Russians; who shall control the trade routes to the Orient through Turkey, the Russian or the Teuton; which nation shall have a major portion of the world's commerce, England or Germany; which nation is to hold the ore fields and mines of Alsace-Lorraine, France or Germany. That last may seem rather weak and far-fetched, because France is not fighting for that reason, nor is Germany, but I think when it comes to terms of peace you are going to find those mines of Alsace-Lorraine the subject of considerable controversy, and I believe the possession of Alsace and Lorraine by Germany has had much to do with the line up of the powers concerned.

Many people think that the present war will exhaust the nations of Europe to such an extent that they will not be willing or able to fight again. I want to call attention to the fact that after four years of our Civil War we were stronger in a military sense and more ready to fight than we had ever been before or have ever been since. We were strong enough at that time to tell Louis Napoleon, who was arbiter of Europe, that he must withdraw his troops from Mexico, and he withdrew them without a struggle! Three years ago Bulgaria was absolutely crushed in her second Balkan war—so badly, indeed, that Roumania stepped in and took a slice of her territory and Bulgaria was unable to resist. Within two years after that time we find the powerful nations of Europe vying with each other to gain the support of Bulgaria, and when Bulgaria finally decided which side she would ally herself with we find her putting into the field an army infinitely better and stronger than the army which had been disintegrated three years earlier. I don't believe that any nation in Europe is going to be so crippled by this war that it will not be able and willing to support, by force of arms, its vital interests a short time after the war is over. In

fact, I believe it is going to be easier to have another war after this war is over than it was to start this one. You take any gathering of men and as a rule, you will find it rather a difficult thing to disturb or excite them, especially to the point where that disturbance or that excitement leads to rioting or fighting, but once you get them excited it is a very easy thing to keep that excitement going. The man who thinks that a nation just out of a war will not be able or willing to take part in another war is like the man of average physique who sees a prizefighter knocked out and imagines that prizefighter will not be able and willing and ready to tackle him within a very few days. That man's brawn, his physique, his ability, his courage, his skill and his magnificent condition is going to bring him back; he may have enough fighting for the time being, but it is for a very short time. Take the Teutonic race, for example. I believe they bring something like 800,000 men to military age each year. It would take two years at that rate to put another army of 1,600,000 men in the field.

Now as to the position of America in this world situation. Of course, I am unable to speak of that publicly; I am an army officer, and it is not for me to discuss diplomacy. I am here simply to ask you gentlemen to look squarely into this question, to see and consider the causes of war and to see whether there are any causes of friction, whether there are any conflicting policies between our own and the other nations, and if you conclude we have conflicting policies, then I think you will agree that we should be warned by the catastrophe which have overwhelmed weaker and unprepared nations in the immediate past.

Taking up the matter of how it is possible to avoid war many suggestions have been made. Perhaps the first one about which we hear, and we hear a great deal about it, is the resources of diplomacy. In my opinion diplomacy has no resources whatever, unless those who are diplomats know that they have behind them the people of the nation, willing to make the ultimate sacrifice in support of their policies. If the diplomat doesn't know that he must at least be able to impress that belief on the other fellow. If he cannot do that the diplomat has no power. I believe the truth of that statement has been demonstrated by every recent diplomatic crisis.

And bringing the matter home to us personally, I wish to call your attention to the immediate effect of the mobilization of our militia in a recent minor diplomatic crisis of our own. The attitude of the other party to the controversy before the militia was mobilized and his attitude afterwards indicates the remarkably quieting effect of a demonstration of strength under certain conditions.

So I think that any statesman in fixing a policy for his country should first stop and consider whether he has the power to make that policy effective, even if the vital interests of other nations are in conflict with it. If he has not he would better not announce that policy, because if a government announces a policy and then has to withdraw and recall it, it merely serves notice on all that that nation is not prepared to stand up for its own rights and invites other nations to encroach upon them. And while they may be encroached upon first, only by strong, powerful nations, the next encroachment may be by relatively weaker nations, and the next by those still weaker, until there will be no rights left.

Now, speaking of the rights of the weak and looking through the world and at its history, I think we will see that the rights of the weak are respected only in normal times. In times of excitement the weak go to the wall. It is wrong, it is sad, but it is true, and it is nature. A weak nation receives all the outward consideration that a strong nation does in times of peace; its diplomats are received with courtesy, they are given their proper social and official precedence, and the fiction that all nations are sovereign nations and that all are on an equality is carried out very nicely, until it is necessary for some stronger nation to disregard it; and when it becomes absolutely necessary for the stronger nation to disregard it that stronger nation does it. It has always been so, and I am afraid it always will be, because nations are no better than the individual citizens. A small man may walk along a crowded city street peacefully and undisturbed, although there are many larger and stronger men on that street who could, if they were so disposed, interrupt his progress; but let a house start to collapse or something happen suddenly that makes it necessary for everybody to hustle away from that particular spot and you will find that the average strong man is going to push his way through his weaker fellows or over them,

if necessary, so as to get away and out of danger. That is especially true if he becomes excited and loses control of himself in the presence of disaster. Go on down into the animal kingdom, if you wish, and you will find that it is the large bull that rules the herd; it is not the weak one, but it is the strong bull that rules; at least until another one comes along stronger than he. Let's go down still further. Go into the barnyard and you will see one rooster walking around with his tail in the air and the other roosters walking around with their feathers standing up on the back of their necks. In other words, I say, that given a vital necessity it is natural for the strong to see the weak sacrificed before they sacrifice themselves. I regret it, but I believe it to be true.

We speak about treaties; in fact, we talk a great deal about treaties. I am sure you will find great difficulty in recalling any treaty, any international engagement which has been kept by a strong nation when it was no longer to its interest to keep it and when it was safe to break it.

History abounds with examples of treaties disregarded and with the reproach of perfidy and ingratitude. A marked case is that of the many treaties which guaranteed the status of the nations in Europe. At the outbreak of the first Balkan War I read Turkey had appealed to nation after nation to support her in her treaty right with control. One paper called attention rather humorously to the fact that thirty-six solemn treaties seemed to have been forgotten. If you will take our own history, the history of the United States, you will find that in our relations with the Indians we are not above reproach. We made treaty after treaty with them. We have said to them over and over again, "Come in off the warpath and we will give you this section of the country and it shall be yours in perpetuity." And then a few years would pass and some white man or men would come along and they would want that land, and they would get it, too. We have kept practically none of our treaties with the Indians. And, mark you, I don't say that we should have done so; I don't say but what it was a case of necessity in a great many of those cases, or a case of the survival of the fittest—whichever way you want to put it. They couldn't use the land to advantage, and we could. But what I do say is this, that when it was to our vital interest and

to the interest of our people to break our treaties we have done so.

We hear a great deal of talk about arbitration in these days, and Heaven knows we all want it; it is the right way and the proper way to settle disputes, and we all believe in it, but we have had a little example of just what our belief in arbitration amounts to, in actual practice, in the last ten days. The railroad companies wanted to arbitrate their difference with the so-called "Big Four," but the "Big Four" declined to consider their case arbitrable. Why? Because they knew they had the controversy won. They were in that position; they were in the position of the strong, and they wouldn't arbitrate. Within a week there comes along a great strike of street car men in New York City. In about three days' time it becomes evident that it is not going to be a success. The street car men then demand arbitration. But how about the companies? "Nothing doing!" Why? Because in that case the companies have the whip hand.

It is only the strong nation which has the choice of war or peace; it is only the prepared nation which can insist on arbitration. The weaker nation has to abide by the decision of the stronger unless some other comes to its aid. Now if war be possible, and if these rainbow schemes will not produce peace, it seems to me that we should see whether we are ready to stand the shock of war with what we have now on hand. We have a navy, and it is a good navy. We have good ships, not well balanced as to the kind of vessels, but that is in process of correction, I believe. But our ships are not all manned. I want to call your attention to the fact that Germany is rated stronger on the sea than we are, and still Germany is bottled up. We stand fourth today in ships and fifth in personnel. There are a lot of our ships, good fighting ships, as you know, laid up in "cold storage," as Representative Gardner put it. So that our navy, though an asset, is not a certainty, and in order to make it a certainty we ought to have a navy stronger than any other navy in the world, and even then we could not be absolutely sure that some foxy gentleman would not come along and invent something that would put the balance on the other side.

The next thing we have is our army, and when I speak of our army I mean to include the regular army, the National Guard and the volunteers. In

the first place I want to tell you that the army, including the militia, is not a complete protection to this nation today. It has been definitely shown that troops, large expeditions, can be transported by sea much more easily than they can be transported by land. It takes 938 railroad cars to move a division which can be moved on one of the large type commercial vessels, and when the railroad cars get to the point where you want them the horses and the artillery and the men and munitions and the stores of various kinds are all in different cars, as a result of which you must reorganize your division at that terminal point wherever it happens to be. Whereas, if you put that same division, including the men and the horses and the artillery and the stores, on a ship they can be run right off that ship in proper order of marching.

A much discussed example of the possibilities of over-sea operations is that of the allied expedition to the Dardanelles, where it is reported that they landed on the beach a greater number of troops than comprise our entire regular army and militia within the limits of the United States, and that they landed these troops against the most intense resistance. This expedition serves as an example to the United States of the necessity not only for sea-coast forts to protect the harbors, but for a mobile army of sufficient strength to meet such an expedition if landed at any point between the defended harbors. Otherwise an army landed on our shores after we had lost control of the sea might, by attacking the fortifications from the rear, capture the same and open the way for further expeditions to use these advantageous points as bases of invasion. The expedition to the Dardanelles was a failure, and it failed because the Turks had both powerful coast fortifications and a strong mobile army. Lacking either one of these there can be no doubt that Constantinople would have fallen. I have mentioned the volunteers, but you cannot take them into account at the beginning of a war, and a great many of the modern wars have not lasted long enough to give them sufficient time to get the proper training to be really effective.

Next we come to the question of the munitions of war, and that is a thing which I believe nearly everybody understands today. But some of you, possibly, may not know that we did not begin to ship ammunition abroad from this country in any appreciable quantities until after about a year from

the time the war began. In other words, it took us a year to establish the plants, to train the personnel and to begin to turn out ammunition that would be accepted and could be used on the firing line. Now our ammunition plants are established, most of them between Wilmington, Del., and Boston, Mass., very near our coast line.

The trench warfare in Europe and the long deadlock on the western front has been the cause of some examination of the situation in this country and two or three times I have heard public speakers discuss this method of warfare as applied to the United States. Various lines have been drawn on the map, none of them longer than the line which has been held by Germany against the combined forces of France, England and Belgium. One of these lines, much shorter than that referred to, actually cuts the manufacturing portion of the United States off from the agricultural portion, and if this line were occupied and our ammunition plants fell into the hands of the enemy it would be at least a year before we could establish new plants for the supply of any army we might raise. The line as referred to is within thirty days of any probable landing place on the Atlantic coast and our recent mobilization of the militia indicates that it would be at least thirty days before we could gather together enough troops to meet such a force as was landed at the Dardanelles.

Now, if there is any way of preventing a hostile expedition from occupying any of these lines with the military forces we have available I should be very glad to know of it. I have thought much on the subject, but as a military man I have yet to find a solution. Millions of men cannot resist a well-organized army. The invention of the machine gun has definitely put a stop to the idea of defense by a rising en masse.

Without any intention to belittle the militia, the members of which I admire and the spirit of which is that of high patriotism, I think it must be plain to all who have seen the recent mobilization that they cannot be counted as ready for first line service against trained troops. They were maintained at peace strength and a large percentage were rejected on account of physical disability. To take their places and to recruit their organizations beyond peace strength it was necessary to enlist untrained men, fifty per cent. of whom had probably never fired a service rifle. The proportion of

field artillery and cavalry to infantry is not in general such as would be required for field operation. In other words, our militia is not an army; it is merely a body of high-minded patriotic citizens, some of whom have had some military training: It is true that something has been done by legislation this year. The regular army has been increased some, that is, the increase has been authorized; but we don't seem to be getting it. We don't seem to be enlisting the men, and even if we did, if we enlisted all the men that have been authorized, we still wouldn't have enough men to meet such an expedition as I have spoken about. The reason we are not getting the men is that we are working under a volunteer system, which is a thing admirable from a sentimental standpoint—a thing that we have held to and hugged to our bosoms as being a very fine thing indeed. The trouble today is that in recruiting we have to go out and bid in the open market for our men, and in order to get them we have to offer them more privileges, or more pay, or more something than the average employer will offer, and if we don't do that they won't come. And that is all right, too. Why should Smith give up his home and his business, while Brown does not? Perhaps enough has come out about this militia system on the border to make it sufficiently clear to all of you. You have heard of the destitute homes and you have seen the men down there, or you have heard of them with their business going to wreck, while the other fellow who stays at home is getting ahead in life. And there is the injustice of the thing. Why should one man volunteer and go down there at such a sacrifice, while another man stays at home and takes advantage of it? It is not fair. A job like that on the Mexican border should be performed, either by regular, paid soldiers or else it is the duty of every man in this country, and the men who shall go should be determined in some way that is equitable and just to all. I believe from my own knowledge of the regular service that every man in it would go down there and stay without a murmur. In fact, the regular army, most of it at least, has been on the Mexican border for five years and you haven't heard any wails about destitute families, and you haven't heard anything said about extra pay. The ladies haven't gotten together and made up any ditty bags for them. It has been their job, and they have done it without complaint, and any other

class of American citizens who realized that it was their job and that it was just and right for them to be there would cheerfully go and render the same service in just the same spirit. But today they feel that they have had their turn—let some other citizen take his.

I am thoroughly persuaded that we must drop this volunteer system, if we are ever going to get in a position where we can protect ourselves. It has been a hideous failure in every war we have ever fought. We have had it in all of our wars, and we are inclined to stand around and say, "Well, we licked them, didn't we?" Yes, in some way we managed to come out of it. But remember that in 1812 England was thinking a whole lot more of Napoleon than she was of us. In that war England had but 16,500 men at any one time in this country; we had something like 265,000, and yet that war lasted over two years. Our Civil War lasted four years, because on neither side was there a trained army; and think of the slaughter, to say nothing of the enormous expense of that war, not only during that wasteful four years, but afterwards as represented by the expenditure of over \$4,000,600,000 in pensions. That is the volunteer system. We have the same thing as a result of the war with Spain. They didn't know how to take care of themselves, and neither did their officers; they got sick, and they got their pensions. But shall we keep on in that way? England had the volunteer system until she was forced to adopt the other method. I don't want to say a word against England, one way or the other. I think England has done a magnificent piece of work, but look at the millions of treasure she has wasted. Look at the lives she has lost, look at the price she has paid for what she has been able to do in France and Flanders, as compared with what France paid and has done. So that every nation abroad has been driven to conscription and we remain the only first-class nation in the world holding to the volunteer system. And why is it? It has always failed with us, as it has failed with everybody else. Why do we stick to it? I don't know. It was put plainly up to Congress this year, this matter of universal service, of every citizen owing an obligation to the state—that was all made plain, as was the waste and the expense and the absolute futility of our volunteer system. It was shown to be an absolute certainty that the militia under the existing system, or under

any system in which it was controlled by the states and by state politics, could not succeed. But representatives in Congress, even if they were convinced, wouldn't vote for universal training. Why? Because they didn't believe the people of the United States wanted it, and they are representatives of the people. They are under a moral obligation to write the laws that they think the people want, and they wouldn't write universal military service into the law, nor will they ever write it there until the people of the United States convince them that they want it.

In speaking of universal training, when the Swiss system is referred to people say, "Oh! well, Switzerland, that's a little compact country; of course, it can be done there—but we are too large a country." My answer is that Australia is larger in territory than this country, and has only five per cent. as many inhabitants and they are doing it. If the two extremes can do it, why can't we? We can, if we want to; there is no doubt about that.

There is still another side to this idea of universal training that may not have occurred to all of you, and that is, it makes for more cohesion among the people—it makes for a bigger patriotism. Sometimes we think we have thoroughly absorbed all the people who come into this country from other countries and that they are becoming or have become good citizens; but they have looked into the matter somewhat in New York City, and they have found that there's a very large element among the boys of New York City who are being brought up without any idea whatever of any obligation to the United States as such—the whole idea of their lives seems to be that this is a great, rich country, to be exploited and to get what they can out of it. If every one of those boys had to go in and serve side by side with the rich man's son and the poor man's son, just in that period of life during which they are most subject to impressions, and if, every day during that time, they had a little bit of something to do for Uncle Sam, they would grow out of that selfish idea, I believe, and it would do all of our young men good. The complaint is general also, that especially among the young, there is a lack of discipline in America. In all this country to-day, you hear business men say that it is hard to get even a messenger boy who isn't too fresh. Many

of you men would like to feel when you take a youngster into your employ that when you send for him and he comes into your office, he is going to listen to what you have to say—he is going to find out what you want done and how you want it done, and when you get through giving him his instructions, he is going to say "Yes, sir," and then go out and do that thing in just the way you have told him to do it. If we had that spirit in the industrial, in the financial world today, it would be a good thing, wouldn't it? I think military training, military discipline in youth, gives a man just that attitude. Some people grow out of it, of course, but it certainly starts them right.

A good start has been made in many ways, but you all know just as well as I do, that there is no special cohesion about our efforts. This Plattsburg movement is a wonderful thing, but the greatest and most valuable effect of the Plattsburg movement has been the awakening of the people to a sense of their obligation to the country. Those who have been in training at Plattsburg and at the other camps, have gone among the people and have told them about it—they have been impressed by the magnitude of the movement, and they have gone back to their homes with a more adequate idea of the necessity for national service.

Now, for an example of organization, at Camp Whitman, this year; they had no water supply. They called on one of the National Guard engineers to install a water supply. They said, "We are sending troops up day after tomorrow, and we want a water supply installed by that time." The officer went to look over the ground and it seemed a hopeless task. He happened to speak of the job he had been given, and of his troubles to Mr. Boyce, of the Westinghouse Company, and Mr. Boyce said, "I will attend to it for you, Colonel." Mr. Boyce called in about a dozen of his men, and he said to them,—“We want to get this water supply in by day after tomorrow.” Together, Mr. Boyce and his men looked over the whole proposition—they examined the blue prints, and each man was given his part of the work to do. One man was to secure the pine and fixtures; another man the pumps; another man went down to the express companies and said, "We want you to make a large delivery for us today." A fourth saw the railroad freight agent and arranged to

have side tracked half a dozen cars at the proper point; another man went to the labor unions and secured the men to install the plumbing and the fixtures and things of that kind and then the matter of the transportation of the laborers had to be looked after. As a result of these combined efforts, the material was shipped up to the camp that afternoon and thrown out on the ground, and the laborers were there and put it in the next morning. Now, in time of war Mr. Boyce and his whole outfit, his whole organization, of course, might volunteer and go to war, but I would rather have them put in the water supply for our trenches, because we couldn't hold our trenches without the water supply. That's a practical example of organization, and of what we mean by organization in the army today.

I don't want to give any impression that I am belittling in any way this Plattsburg service, because, if it had not been for the Plattsburg movement, in all probability, Mr. Boyce would not have been so vitally interested in military affairs, and the probabilities are that the engineer would never have spoken to him about it, and he would not have taken it up so quickly and effectively. And it is a fact that if a man, an engineer, an electrician, a doctor, or anybody else in a special line of work is going to do his part for the country in time of war, and do it to the best advantage, it is most important for the nation that that man shall know something about the soldier's life and the soldier's point of view; otherwise he may be unable to meet intelligently the demands made upon him.

Then you could help us in the matter of munitions. I read a statement the other day to the effect that Congress had appropriated more money this year for defense than any other nation had ever appropriated in time of peace. And yet, gentlemen, Germany shot away more field ammunition than the entire amount of that appropriation in her first drive. You can go to our Congressional hearings and find that we haven't enough ammunition to do this or to do that, you can find that it will take ten years more at the present rate of progress to give us enough field artillery. But you cannot find out what Germany or Japan or France spends; they keep it confidential.

In this drive at the Somme, I saw an estimate the other day, coming through more or less credible channels, that England had expended ten million dollars in field-artillery ammunition in twenty days. Ten million dollars is our entire appropriation for field-artillery.

We are at the parting of the ways, and we must make up our minds to "fish" or "cut bait."

Let us stop right now the expenditure of two hundred million dollars annually unless we are willing to spend more; let us cut out the hypocrisy and say we won't do it—that we are not going to be prepared—or let us do it efficiently. And let us recognize also that we should do as other great nations are doing, train all our boys to do their duty by the nation.

VALUE OF ACCEPTANCES

A student requests enlightenment on the value of the Federal Reserve Act with respect to acceptances.

In accordance with the provisions of Section 13, giving member banks the privilege of accepting bills drawn upon, arising from commercial transactions, and having maturities not over three months, or agricultural or live stock paper running not over six months, the Federal Reserve Board on September 7, 1915, issued Regulation R, Regulation S, dated November 29, 1915, covers the open market purchase of such acceptances by the Federal reserve banks, while Regulation P, dated July 15, that of trade acceptances, and Regulation T, dated December 4, the subject of general open market operation. Recent amendments to the Act provide for domestic acceptances by member banks running not over six months, to an amount equal to one-half the capital and surplus, or with the permission of the Federal Reserve Board, equal to capital and surplus. Federal reserve banks may discount such bills having a maturity not exceeding three months. In connection with the dollar exchange, member banks may accept (within specified limits) drafts drawn upon them by banks in foreign countries or dependencies or insular possessions of the United States under regulations prescribed by the Federal Reserve Board; and

Federal reserve banks may acquire such acceptances under regulations of the Federal Reserve Board.

It has been designed to have acceptances play an important part in the new American banking system. Through the purchase of more or less of them, the Federal reserve banks can regulate interest rates, large purchases resulting in a stiffening of rates. When unable to influence rates because of lack of applications for rediscount, they may accomplish this result by going into the open market. Higher interest rates will make loaning of funds in American centers more attractive; exchange rates will rise, and thus the gold supply can be protected, gold being attracted from abroad.

This protection may be accomplished also by sale of bills on foreign centers which the banks have accumulated. The development of a broad open discount market is an essential factor in our position in international trade. Through domestic acceptances it is hoped, on the one hand, to standardize credit within the country, and, on the other, to broaden the discount market. The latter, besides its use in foreign trade financing, is also expected to avert future credit panics by providing a source through which banks may convert their liquid assets into currency as needed.



Thrift Symposium at the Cincinnati Convention of the Institute

Thrift and Public Affairs—Thrift Work in the East—Thrift Work in the South—Thrift Work in the West—Field of Thrift Within Institute Chapters

During the morning session of the second day of the recent Cincinnati convention an interesting discussion with relation to the thrift work of the Institute was held. Under the leadership of E. G. McWilliam, Chairman of the Institute Committee on Thrift Work, the symposium was a marked success. H. E. Reed, of Pittsburgh Chapter, discussed "Thrift Work in the East;" M. B. Keith, of Dallas Chapter, described the work in the South; T. H. West, of Portland Chapter, spoke upon the work in the West, and John S. Curran, of San Francisco Chapter, explained the "Field of Thrift Work Within the Chapter." M. W. Harrison, Secretary of the Savings Bank Section, American Bankers Association, then addressed the convention on "Thrift and Public Affairs." A synopsis of each address follows:

Thrift and Public Affairs By MILTON W. HARRISON

We are living in peculiar times. If we were to look ahead a few years and assume a pessimistic attitude, we would, perhaps, be justified in fearing for the future. With a world at war, with an unprecedented condition of social unrest, with strikes and riots the order of the day, with an increasing tendency on the part of the federal government to revolutionize fundamental economic conditions and with the cost of living mounting up to its highest peak; and conversely, with the concentration of wealth increasingly going into the hands of the relatively few; with the selfish becoming more selfish and the rich becoming richer we are bound to hunt for underlying causes. Where are they? Perhaps the problem is too vast for solution.

It is my earnest belief that one of these causes upon which the others somewhat depend is lack of thrift in the individual. Analyze it and you will inevitably be brought to the same conclusion.

Thrift means independence, generosity and strong character in the individual. Essentially these elements, however, are mere effects of some particular cause. Hence, I would say that in the final analysis, consistent saving of money, a distinct human expression, is the cause. Therefore, the need of the savings habit is vitally important. Moreover, a nation-wide campaign to promote this habit is significant to the entire country.

The factor which has in its control the most practical means for the encouragement of saving is the bank. The bank is the civic center of service. Upon the service it performs largely depends the community's success. The function of the church is the development of the spiritual side, the function of our educational institutions is the development of our mental side, but there is no existing institution the function of which is the development of thrift, except it be the bank. The bank as an institution is divided into two classes, credit institutions and capital institutions, ordinarily called commercial banks and savings banks, respectively. The savings bank prepares the young fortune hunter for business; the commercial bank maintains the fortune and makes it larger. That is why a savings department is a very desirable addition to a commercial bank. It is like the California fruit-grower, who, for profitless seasons nurtures his young trees until they bear excellent fruit. He is a wise banker who knows enough to encourage the young to save and conserve. The commercial bank should constantly endeavor, through literature and otherwise, to get into closer touch with its savings depositors, with the idea of making them profit-bearing commercial depositors. I have thought that banks should organize, in addition to their valuable departments of publicity and new business, departments of future accounts. When we consider the vast amount which is spent each year by banks, sometimes to secure the other bank's business or to get some merchant to open up a checking account, and what little is spent in educating their young depositors in the savings department to become substantial commercial depositors, it appears almost

ridiculous. Only the other day the associate editor of one of our prominent weekly magazines called at our office, stated that he was immensely interested in our campaign, had read about it in *Printers' Ink* and that he had a proposition to put up to us. He had understood that banks were willing to pay \$2.00 for any new savings accounts regardless of the size, and he proposed to assist the banks by offering them an account with every new subscription to his magazine. He would then advise the bank the subscriber's name, whereupon the bank opened up a new account and credited it with \$1.00 from its own new business funds. When I explained to him how ridiculous his proposition was he insisted upon proposing to aid the bank still further by arranging for the magazine to pay half of the initial deposit. In despair he left the premises. The example reflects the anxiety of some banks for new accounts, with no thought of educating those who are already depositors to become real live depositors.

It is the educational feature of the nation-wide thrift campaign which is desired to be emphasized. In this respect the bank is an educational institution. Hence it is directly charged with the responsibility of being the prime mover in making for greater thrift in America. Recently a Middle Western banker gave us as an excuse for not participating in the campaign that any effort made by the banks to teach the people to save and conserve held them up to public ridicule for their apparent selfish attitude. It is obvious he did not consider that while the banker benefited from the additional accounts opened, yet the benefit received by the depositors in opening accounts and becoming consistent savers was immeasurably greater. The sooner we allow the people to know this fact the better it will be for both the banks and the people.

So the thrift campaign is a banker's movement. Primarily instituted for the purpose of serving the public, a publicity scheme for advising the people that if they become savers and partake of the service the bank has to offer they will then in turn become investors, and as a consequence thereof, lo and behold, they will be commercial depositors, the bearers of the burdens of business.

One of the main forces in the dissemination of thrift propaganda during the past year has been the Chapters through the Special Thrift Committee appointed by President Bean and the Public

Affairs Committee of the Institute. Their excellent and efficient work in this respect merits commendation. Chairmen McWilliam and Bryant have been in constant communication with the office of the Savings Bank Section, and their interest has been repeatedly manifested. Their encouraging letters to the Chapters have been a source of considerable assistance in the conduct of the campaign.

The growth in the Institute during the past few years and the high standard of education maintained has brought it to the forefront in national affairs. It is assuredly one of the great institutions of the country; it enjoys an international reputation which is far above the ordinary. Through the efforts which have been made the Institute has reached a point of splendid efficiency and deserving praise. While the standard study courses have been mainly responsible for such progress, yet the work of the Chapter public affairs committees, with the assistance of the Institute Committee on Public Affairs, has taken no mean part.

There is no field which holds greater possibilities in the direction of widening the scope of Chapter influence than the work of the public affairs committee. It may be made the connecting link between the banks and the people; it may provide ways and means for teaching the public the true functions of a bank and the different kinds of banking institutions; it may cultivate the friendship of the public for the banker; it may train Institute members and bankers in a most practical way to speak in public. Of all professions, the banking profession lacks the most of any in public speakers. Relatively, how many bankers have the ability to speak in public? The progress of the Chapters in this regard has caused a marked improvement. Through public-speaking classes, speakers' bureaus and debating, the Institute man has qualified himself to stand with the best; he is well able to take prominent part in civic assemblies. Just a few days ago we closed an order for a thrift campaign in Toledo, Ohio. Instead of the Chapter calling a meeting of the local bankers, the situation was reversed and the banks called a meeting of the Chapter, at which there were in attendance over 200 members. Such bankers are wise, they know where to go when they need good assistance. Toledo now is assured of a lively campaign for six months; I trust Toledo Chapter will take full advantage of the opportunity and show the bankers

what is possible for them to accomplish. Incidentally, if the Chapters but realized what potential possibilities they have, that they are a part of a great unified educational system to make for better banking and a higher standard of service, their development would not be slow. It is only through such realization that we may accomplish anything in life. Now is the appointed time of action. Each Chapter has the power to be of vast influence in its community. It is only dependent upon the will to do it. Of course, it requires initiative, plenty of it, and resourcefulness, too. But that is a part of your education. Of what value is a man without initiative? Can he become a well-rounded banker? No, not in these days. You must be able to corner the market in ideas which are worth hard cash. Some Institute men have seen the value of this thought and have made good. Today they are vice-presidents, secretaries and assistant cashiers of our most important banks or governors of Federal reserve banks, and even connected with the Board itself. Six out of ten men in New York in the past six months who have been advanced to important executive positions in banks are loyal Institute men. I know of no better means of training yourself or realizing the possibilities of valuable ideas than the public affairs work of your Chapter. That is, after you have become an Institute graduate, which today is a necessity in banking. I deem your connection with the thrift campaign an entering wedge. It is not a difficult task and it gives you something definite to do. It shows you how to get closer to the public; how to bring the banks closer to the public and to bring the public closer to the banks. If you are a wise young banker you will start foundation building immediately in your city for your future fortune. It is the man who, while young, looks ahead and prepares the way for success who always gets there. I have heard Chapter men repeatedly criticize the Institute. Why doesn't it do this, that and the other thing. Never dreaming that they are the Institute, that the Institute can be made of greater power only if they get busy and when criticizing do it in a constructive manner. There is plenty of work for you to do which will prepare you for the important positions that must be filled after those who are now occupying them outlive their usefulness.

When I hearken back and recollect my experiences during the past year with the Chapters in

connection with the task which it has been my privilege to undertake, I assure you it is very pleasing. With the men who conducted the campaign in their Chapters I found definitely marked the elements of success. It was the manner in which the work was done that appealed to me more than anything else. Durham and Taber of Chattanooga planned out their own campaign and brought it to a successful conclusion, producing splendid results. They never thought of the inspiration which their efforts carried when the section received an especially prepared book containing exhibits and the history of their campaign. When a movement such as ours is carried on perhaps very few know the many discouragements which are met with at headquarters. The blazing of new trails is an exceedingly difficult task. I count it that such workers as the two I have mentioned are responsible for much of the encouragement which helped make the wheels go round. At the Briarcliff meeting of the Executive Council, American Bankers Association, I had a long conversation with W. A. Sadd, president of the Chattanooga Savings Bank. He was very proud of Chattanooga Chapter; the thrift campaign had evidently made a new impression upon him. He went the limit in commendation. I could go over the long list of those who have served well, but the time will not allow. The report of the Thrift Committee detailed some of the work of Dallas Chapter, and Mr. Keith, through Mr. Berkley, has told you the rest, but he neglected to include our appreciation of his support in helping to make the thrift campaign truly nation-wide. When Dallas spoke, the whole of Texas acted. Ever since that time J. W. Butler, president of the Texas Bankers Association, has been writing to our office advising us of plans and their execution in promotion of thrift throughout the state. Mrs. Mary D. Woodson, president Texas Women Bankers Association, made a trip to New York and inspected the work accomplished by New York Chapter in establishing 110 new school savings banks and was also told that over 150 addresses on thrift had been given under the direction of the Chapter's Speakers' Bureau; that the newspapers and magazines had been freely used for prize thrift contests and stories in aid of the thrift movement. Mrs. Woodson returned to Texas and is making some effort to install new school savings banks throughout that great

state. We, in New York, therefore, had our part in helping Texas, for which we are truly proud.

Then there are Chapter workers, like Speas of Atlanta and McWhirter of Macon, West of Portland, Ore., who created much enthusiasm for the campaign in the far Northwest; Herzog of Albany, Kane of Hartford, Wagner of Baltimore, who worked in conjunction with James D. Garrett, the chairman of the thrift work for Maryland. Stone of Boston, Craig of Philadelphia, Rattray of Buffalo, Curran of San Francisco, Daley of Denver, Brooks of Jacksonville and Hinckley of New Orleans, who has given much time and conscientious effort to the campaign, who all deserve the highest praise and commendation. Of course, we know about Los Angeles Chapter, for how could it have been but successful in the thrift work. There are hundreds of deserving ones who have not been included, but time will not allow the mention of their names.

Some Chapters have been conducting the campaign by spasmodic efforts or not at all. They have been communicated with and respond that they are interested and fully believe in the movement, but they cannot get the banks to act. Like the position of the man whose boy was asked if his father was a Christian. The boy replied "Yes, but he ain't working at it much now." I am reminded of a letter received from one of the Chapters. I think it was sent by special delivery. The chairman of the Thrift Committee wanted sent to him post haste full information concerning the thrift campaign, that "one of the most prominent club women" of his city had requested him to tell her all about the campaign as she had been advised that he knew all the details. We had sent plenty of information to this chairman, but apparently it was unimportant, until the time came when the information was very desirable. In the conduct of the thrift campaign the Savings Bank Section has had the co-operation of the Federated Women's Clubs, as well as the Young Women's Christian Association, and evidently the afore-mentioned "prominent club woman" had been informed through either one of these agencies that co-operation with respect to the thrift campaign would be extended through the Chapters of the Institute.

There are some Chapters which have been hindered in their work during the past year through lack of interest or enthusiasm on the part of mem-

bers and banks. This may be some justification for no activity, but nevertheless it is not entirely a good excuse. For example, I had received a number of letters from a chairman of the thrift committee in one particular Chapter who argued no support. Through the efforts of the Section the bankers were called together and a campaign was instituted. I do not know yet whether the Chapter is interested. However, if something had been accomplished by only one of that committee full credit would have been undoubtedly given to the Chapter for starting the work and there would have been a corresponding increase in the influence exerted by the Chapter in public affairs.

There is plenty of room for improvement in the public affairs committees of all Chapters. I know that many of the Chapters have planned comprehensive programs for public affairs committee work for next year, which will be a great improvement upon what has been done heretofore. Most of the Chapters have been advised of the plan of campaign of the Savings Bank Section and of the fact that we have as our object the placing of the campaign in 2,000 communities throughout the country. This includes every Chapter city. The plan contains all that is necessary for the conduct of a six months' campaign, which is furnished by the Section. It is the product of the highest publicity effort. The copy is well worded and effective. I would suggest that the Chapters do all in their power to advance the nation-wide effort we are making by first getting in touch, if you have not already done so, with the office of the Savings Bank Section, and secure one of the plan books. If the banks in your city decide to carry on a campaign, you should be the first to offer your services. When the literature is distributed in the schools see that a Chapter speaker is on hand to address the classes. Not alone on thrift but on the functions of a bank and the service rendered by banks. Educate the public to understand what banks are. You Institute graduates apply the studies you have made, for it means greater respect for and confidence in your banks on the part of the people. It will make your Chapter a definite factor in public affairs; it will give you training that you as well as everyone else needs; it will give you a new attitude of mind, a broader view, a wider vision and a stronger purpose. Come over and help us in this important

work of attracting to the nation's banks a million new savers and ten million better ones. To acquaint people with the purchasing power of money. To show, by example and precept, how to handle money wisely—to encourage better habits with money. Through education to make a get-rich-quick promoter's efforts barren of results. To teach the cardinal principles of sound investments—what to do with money after saving it. To help people gain a mastery of the will, give direction to their purpose—the safest route to success. In a word, to help people find themselves, to make thrift a habit with the individual and a national trait in America.

Thrift Work in the East

By H. E. REED OF PITTSBURGH CHAPTER

In the eastern Chapters we find thrift campaigns carried on by all of the larger Chapters and also most of the smaller ones. We find in most cases that the local Y. M. C. A.'s are co-operating with the Chapters of their cities with splendid results. Quite a number of the public schools have adopted the school savings plan, due entirely to the efforts put forth by the American Institute of Banking. Thrift talks are being delivered by our members before church clubs, boy scout organizations, real estate boards, civic bodies, and the like. Many excellent reports have been had concerning the effect of the moving picture entitled, "The Reward of Thrift." The thrift talks delivered by our members show a diversified list of subjects desired to meet the needs of the community in which they are delivered. In cities throughout the east the thrift talks published by the Savings Bank Section are being published by the newspapers, thus reaching persons whom it would be impossible to reach in any other way. In Pittsburgh our speakers have delivered lectures to the Pittsburgh credit men's association, the Pittsburgh civic club, the Pittsburgh real estate board, commercial high schools, classes in the public schools, to Boy Scout organizations, church clubs, employees of the Duquesne Light Company, etc. We also held a largely attended meeting in one of our largest mills, the men gathering around listening to a talk entitled, "Wild Cat Schemes." We have also sent speakers out to towns within a radius of fifty miles, where we have received excellent reports.

Thrift Work in the South

By M. B. KEITH OF DALLAS CHAPTER

The antiquated declaration that thrift is better than an annuity brings to mind that a larger per cent. of our thrift axioms and economy adages are of ancient vintage. "Little and often fills the purse" rings with the same old truth we utter in repeating the second-reader admonition of childhood's days: "Who heeds not a penny shall never have any," and all that wonderful collection of penny proverbs. But the present-day meaning of thrift is a considerable something, besides the actual saving of money; it is the practicing of economy all down the line; it is the systematic management that enables one to live within one's means; it is the rugged determination to be provident today in order that our declining years may be blessed with financial peace and security; it means the curtailment of waste—waste time, waste money, waste opportunities; it is THRIFT. The development of the thrift idea in the South must naturally bear a close resemblance to the development of this virtue in all parts of our nation. The practice of the small economies that count, the exercise of proper diligence in the doing of work and the inauguration of more systematic methods in business mark the big forward steps in the thrift movement in the South.

There is little question but that the bankers of the South have played an important part, if not THE important part in this transformation in our methods. Our bankers have been community leaders, district leaders, state leaders in the fight for a diversified program and thrifty management. Take our own state of Texas, from which we draw figures: Our Texas bankers saw millions of dollars going out of our state each year for pork; they realized that Farmer Jones planted the whole of his 100 acres in cotton and bought Iowa corn on time for his stock during crop-making time; they saw vast sums spent for the importation of butter and eggs and poultry; they found the farmer purchasing his lard, his meat and his vegetables in cans—and all the while wearing out his land with cotton that was selling below the cost of production.

Then came the most effective thrift campaign slogans—"Live at home," "Feed yourself." These little phrases have and are working miracles in the South. Diversification enthusiasm swept and is sweeping the land, and generally with the banker in

the lead. The South's money is being kept at home; the South has been feeding itself and looking upon cotton as the surplus crop; it has been discovered that the South is the most fertile spot on the globe and will produce anything.

One or two short years—since the great war complicated the cotton situation by closing the market doors for the enormous crop of 1914—this thrift movement in the South has demonstrated the fallacy of the one-crop idea and has opened the way to a wonderful development of the entire Southland; bankers have become to look upon the one-crop farmer as a bad risk, when before cotton was thought to be the only security; merchants have found out the man who diversifies and raises dairy products, cattle and hogs, pays cash for his merchandise and has a bank account, whereas time was when all farmers were carried from early spring-time until the marketing of the cotton crop in the fall. The farmer has become imbued with the spirit of thrift until he enjoys classing cotton as a surplus crop, and takes a pride in "living at home." While there has been considerable activity in the cities among city dwellers, the thrift idea has not progressed so far, since we have few cities of any size in the South. Here I have only figures on what has transpired in Texas. All of our reserve cities have carried out the A. B. A.'s thrift campaign plan with more or less success. There are several scores of savings banks and savings bank departments of commercial banks in Texas. Public schools in several Texas cities have established school savings clubs; and promises are for the establishment of many more because of the general thrift campaign. The Texas Bankers Association and the Texas Women Bankers Association, co-operating with the extension departments of the Agricultural and Mechanical College and the State University, are making plans to carry the thrift campaign into every schoolroom in Texas, both city and rural. In Dallas, during the month of May, we conducted a thirty-day thrift campaign. Three weeks were given over exclusively to newspaper advertising on Thrift and Thrift Week. One of our leading papers offered \$250 in cash prizes for the best 300-word essay on "How to Save." "Thrift Week" was memorable. J. W. MacDowell of the Bowery Savings Bank, New York, was engaged and made over forty addresses at churches, factories, shops, schools, mothers' clubs, civic societies and business

men's clubs. Billboards, moving pictures and thousands of pieces of literature were used to herald the gospel of thrift. Every pastor in the city preached Thrift on Thrift Sunday. The Chamber of Commerce gave its active support and prominent local men, specially picked as apostles of thrift, contributed articles telling of their own personal experiences to the newspapers.

All in all, there is no section of the country that has profited, or will continue to profit, because of the thrift campaign as has the South. The bank vaults are bulging with funds; the banker is smiling and offering an extra bag of seed corn. The farmer raising cotton only as a surplus crop, realizing that it's all to win and nothing to lose. People are content. Prosperity has ordered her trunk sent up and promises to stay indefinitely. Thrift stalks through the land. The country's safe.

Thrift Work in the West By T. H. WEST OF PORTLAND CHAPTER

We have had some difficulty in getting, not only the members of our Institute, but other people to realize that the thrift plan is practical and not theoretical. We feel that as bankers, as men vitally interested in financial problems, we should realize the necessity of greater thrift, and we feel that as members of the Institute, we are highly privileged to be connected with this nation-wide campaign that the American Bankers Association has initiated, and we feel, also, that we may, perhaps, have a pardonable pride in the realization that in these days, there has been inaugurated a movement that is honorable and altruistic, as well as economically necessary. We felt that we, in our country, if we were to get any tangible results from this campaign, if we were to confer any material benefit upon our people, we must fully realize the tremendous economic importance of the work which we had undertaken and appreciate the fact that only by intelligent and systematic planning and vigorous co-ordinated effort could we hope to accomplish great things. We realized that we needed the hearty support and co-operation of men and women in all walks of life. How could we best secure that co-operation and support? Obviously, by molding the concrete plan furnished by the American Bankers Association, to fit our local conditions. As you all know, conditions of living vary greatly in different sections

of our country. In New York, and in your eastern section of the country, you have your great manufacturing plants and workshops; the south has the labor problem; the vast area in the middle west has great agricultural wealth; while on the Pacific coast, we have vast potential resources, awaiting development. Then, in your eastern cities, you have your thickly populated tenement districts and your great manufacturing plants which employ thousands of men and women, boys and girls. On the coast, as some of you know, we have newly-made cities, smaller and fewer in number, a country so rich in natural resources that little thought has been given the need of the morrow. To illustrate that thought from a savings standpoint; until recently the penny was practically unused in our section, and but a few decades before, a nickel was even lost sight of, as too small to bother with. In commercial transactions, we felt that it was quite natural that men connected wholly with financial institutions should look upon this thrift campaign from a savings standpoint, and yet the committee we had in Portland felt that it was quite necessary that the people should understand that it was not a selfish endeavor on the part of the banks to create savings deposits, but that it was unselfish and public-spirited—that it was, in fact, an actual economic necessity, if our nation was to continue to grow. Our committee also felt and pointed out, that there were other phases of thrift quite as important and essential as that of saving money; namely, those factors which tend to eliminate waste. We said that if we were to save only that which is now wasted, it would be an admirable achievement, and that thrift, in its final analysis, is the antithesis of waste and extravagance. We felt that a campaign of this kind should not be what might be termed a noisy, brass-band affair; instead, we would try a plan that was attractive—we would try to make it just as attractive as the department store advertisements, and still, we wanted a plan that would be workable in the eyes of the people.

In carrying out our plan, we felt that it was necessary to point out to the people that it was not necessary to buy less, but to buy better. That the reckless spending of one's earnings, because things were cheap, and the inclination to make unnecessary purchases because they were "bar-

gains," is a source of great waste in the home. How often do you hear the expression, "I don't know where all my money goes." The only answer to that is keep a personal or household expense account—prepare a budget, setting out so much for savings and investment—so much for rent—so much for clothing—so much for benevolent and charitable purposes, and taxes; itemize your expenses, and you will quickly and accurately learn where your money goes, and which items are necessary and which items are unnecessary. Broadly speaking, people make money sufficient for their needs, but they do not spend it judiciously, and it is right here that waste comes, as the result of the unwise disbursement of money. To bring this directly to the attention of the people, our local association of credit men has prepared for free distribution by our wholesale and retail merchants and bankers some 30,000 completely arranged little pocket expense books. These are within the reach of all, because they are given away; the books cost the Association one and one-third cents apiece. Within these books is a statement, pointing out that thrift means the living of a balanced life—the thoughtful investment of money and morals. The value of saving is brought out both by precept and by illustration—consistent saving, even though small.

Another important phase of the thrift program seemed to us to be that of the thrift of time in connection with vocational education. Everywhere we find that prominent educators are striving to secure methods whereby maximum educational results may be obtained by the minimum expenditure of time and money. A year has a certain potential value in the life of a boy or girl who must earn a living. A hundred dollars saved is a valuable asset to a man who must educate a family of children. Perhaps no group of men realize more keenly the harmful effects of wasted time and neglected opportunities than those who have won success through their own efforts. In addition, the American Institute of Banking, and many prominent men in our city, have given our campaign their hearty support. Through the agency of our local rotary club, a progressive business men's club, we are planning a campaign to interest the men and women of our city in our public night schools, our university extension course, and our governmental educational bureaus,

so that they will be made use of to a much larger extent than heretofore.

Still another phase seems to be that of thrift among the school children. Many of our cities now have school savings banks, but the mere inauguration of the school savings bank system will not be successful, *per se*. The school authorities must be behind it; they must co-operate with you; the children must be made to understand that labor represents money—that labor is an exchange for money, and that it should not be beneath the dignity of any school boy or school girl to have certain work to perform, whereby they may earn money for themselves.

So, in conclusion, let me say once more, that we believe we must make the plan to fit our local conditions as we see them; that the people must be made to understand that this is not a selfish scheme to create merely savings deposits; that waste in household purchases is an economic waste, and that a household expense budget is an excellent remedy, and finally that wasted time in connection with vocational education, is an important factor in the success or the failure of human life. If these things which we have set out to do would seem difficult of accomplishment, we feel that we should be reminded of the fact that vast coral reefs are made up from millions of very minute animalcula and that mere atoms of matter in the tremendous aggregate, form the stupendous works of nature which characterize our wonderful Pacific northwest. What ought we not to accomplish, working with human intelligence, when we have those examples of nature in mind!

Field of Thrift Within the Chapter

By JOHN S. CURRAN OF SAN FRANCISCO CHAPTER

My topic is, "The Field of Thrift Within the Chapter." Let us forget, for the moment, the common meaning of the word "thrift," the saving of money, and think of it as "economical management" which eventually leads to "gain and prosperity."

The Chapter should broaden its field of activities to meet this new demand. The greatest development will quite naturally come along edu-

cational lines. Nevertheless the Chapter should not be blind to the ethical and physical needs of the bank man. The time has passed when the Chapter can complacently remain inactive and be unalluring to the man who has obtained his certificate. The organization is not fulfilling its duty when it permits its graduates to lose interest and drift away from the Chapter. If it be essential that the Chapter give the young bank man the advantage of an elementary course in the fundamentals of banking, it is even more important to the success of that same individual that the Chapter does not permit him to discontinue his efforts at this stage, but, on the contrary, help and interest him until he is well past the transitional period. To hold and benefit this latter class, the Chapter must be in a position to offer educational features which will increase its efficiency. The period in which we live has been termed the "age of efficiency." Standards are being raised and more and more is required of the bank man. It is therefore incumbent upon the Chapter if it is to utilize its opportunities to increase its usefulness and prepare itself to meet this demand.

While the value of educational work is self evident and should in no way be minimized, yet there are other requirements of the bank man which also need special attention. The Chapter is teaching him to utilize and conserve his intellectual resources and it should also teach him to set aside and accumulate his funds—in other words help him form the habit of systematic saving. It lies within the province of the Chapter to establish a savings association among its members. It is organized with the avowed purpose of increasing the ability and usefulness of the bank man. What could be more in line with this than engendering the habit of regularly saving?

The aims of a savings association within the Chapter would be to stimulate the habit of setting aside certain sums regularly; to assist a member in the purchase of investments for his own account (such as a home, stock in the bank which employs him, or other securities); and to give him practical instruction in the business of loaning and investing funds and in the general management of an association for savings.

INSTITUTE CHAPTERGRAMS

ABOUT CHAPTERGRAMS—The chaptergram department of the JOURNAL-BULLETIN is intended to be a literary clearing house of Institute work. Chaptergrams should therefore be written in accordance with the national viewpoint rather than the local viewpoint. A year or more ago the Administrative Committee of the American Bankers Association suggested to the educational director of the Institute that chaptergrams should be more thoroughly edited and the Executive Council of the Institute adopted a resolution to the same effect. Neither the suggestion nor the resolution has heretofore been obeyed with much literalness, and the attention of the educational director of the Institute has been again called to the matter. As a consequence the chaptergram department has been reconstructed and the proposition is hereby passed along to everybody concerned, with the suggestion that the work of editing may be simplified if the work of writing is done in general conformity with the new style adopted.

ALBANY—E. W. Carrie writes that at their first open meeting a large crowd was present to hear Corporation Counsel Andrews of Albany give an address on "City Government." Each study class opened with an enrollment of about fifty. The two supplementary lectures on "War Finance" drew a gratifying number of the older men to the classes. Arthur Koch, an earnest Chapter worker, has been appointed cashier of the Amsterdam City National Bank, to succeed George Wilkinson, who has resigned to become a national bank examiner. Great interest was added to the October meeting by the fact that in addition to an address by Judge McElroy, on the "Operation of the Inheritance Tax Law," an adding machine and bookkeeping contest was held. The adding machine contest was for a silver cup, donated by the Burroughs Adding Machine Company as first prize, and was won by Herbert Kneip of the National Commercial Bank, who ran 750 checks in 12 minutes 12½ seconds. The second prize of \$7.50 in gold was won by Walter Nelson of the National Commercial Bank in 12 minutes 24 seconds and the third was won by Raymond Roos of the same bank in 12 minutes 46½ seconds. He was tied in time with George Kugher of the Union Trust Company, but an error in the slip of the latter caused him to lose. The prize was \$2.50 in gold. The ledger posting contest was won by Paul McClintock, time 12 minutes 55 seconds; P. Raymond Krause, second, 14 minutes 53 seconds, and Charles Miller, third, 15 minutes 7 seconds. The judges were C. G. Palmer of the Burroughs Adding Machine Company;

Charles E. Byron, assistant treasurer of the Albany County Savings Bank, and William D. Wade, manager of the City Safe Deposit Company. The membership committee has made a thorough canvass of the banks, with the result that at our last two meetings eighty-three new members were announced, bringing our total membership to 197.

ATLANTA—One hundred and fifty men attended the Chapter's opening meeting October 12. Vice-President Maddox of the American National Bank, Governor McCord of the Federal Reserve Bank of Atlanta were among the speakers. The educational program for the coming year will consist of the Institute course in "Practical Banking," reports J. A. Bauston.

BALTIMORE—"The Chapter's opening meeting, October 17, was well attended and successful," says George G. Requard. "F. P. Schwedtmann of the National City Bank, New York, talked on 'Education and Efficiency.' Moreover, Mr. Schwedtmann's recognition of the work of the various Chapters and the tribute that he so generously paid to the successful lives who have been interested in Chapter work is ample proof that the Institute is each year occupying a vastly more important place in the banking field of the country at large. Waldo Newcomer, president of the National Exchange Bank, presided at the meeting and presented the certificates to the men who successfully completed their studies last year. Carl E. Wagner gave a short account of the salient events of the Cincinnati convention. The educational features of the coming season promise to be very satisfactory. The number of men who have enrolled in the banking and finance class is even larger than was anticipated. We have secured the services of Charles Sewel Weech to take charge of the class and we feel confident that the members of the study class will have a most interesting and profitable experience. In addition to the banking and finance course, the educational committee is rounding out its plans for a course that will be of interest to the older men of the Chapter."

BIRMINGHAM—Albert J. Williams reports that the Chapter received a new impetus at its opening meeting. Every bank in the city was well represented and the meeting was interesting. Several officers of the various banks were present and made encouraging and instructive talks. The three courses to be offered were outlined by M. H. Sterne of the Traders National Bank, who will conduct the post graduate course. I. M. Engel will be instructor of the course in commercial law and negotiable instruments. Already about seventy-five have enrolled. The other course to be pursued will be on banking and finance. Our delegates to the Cincinnati convention were C. P. Hilty and C. E. Holcomb of the First National Bank, Leo M. Karpeles of the Traders National Bank and S. D. Camper of the American Trust & Savings Bank. They all are elated over the trip.

Our first study class was held in the Chapter rooms on September 29, at which time real work was begun. The various committees have been appointed by the president and are all working in unison to make this a banner year for Birmingham Chapter.

BOSTON—"At the opening meeting October 5, which took the form of a dinner," writes Thornton O. M. Fay, "Ex-Governor John L. Bates, Clarence W. Barron and Chapter President Clarence A. Rathbone were the speakers of the evening." The educational program for the coming year reflects the standard maintained by Boston Chapter. The class in elementary economics, conducted by Prof. Edmund E. Day of Harvard University, is in charge of F. B. Young of the Boston Safe Deposit and Trust Co. Sixty-four have been enrolled. With eighty men enrolled, the course in commercial law, under the direction of Clarence L. Newton, Ph.D., J. M., and in charge of Raymond Merrill of the New England Trust Company, promises to be a success. The Chapter is looking forward to the Boston convention of the Institute in 1920. Delegates returning from Cincinnati were inspired to new endeavors in Chapter work. Too much praise cannot be given to Pittsburgh Chapter for the splendid manner in which the eastern delegates were entertained en route to the convention city. Among those who have won advancement in the banking world since the last chaptergram was written are: Clarence A. Rathbone, president of the Chapter, who was made vice-president of Norwood National Bank, Norwood, Mass.; Herbert E. Stone, advanced to assistant cashier Second National Bank; Frank B. Butts, formerly with the Old Colony Trust Company, now assistant cashier Webster and Atlas National Bank; Edward F. Parker became a national bank examiner, September 1, and R. Reed Capp, formerly with Old Colony Trust Company, now with Publicity Department, National City Bank, New York. Frank W. Bryant, Second National Bank; G. H. Higgins, Merchants National Bank; F. Edward Kellar, National Union Bank, and C. H. Peterson, Merchants National Bank, have been given Institute certificates as the result of a law examination held the latter part of August. The next Chapter night will be held at Ford Hall, November 16. The eighth annual banquet is to be held at Hotel Somerset, Tuesday, January 16, 1917.

BUFFALO—Secretary Enslin writes that at the opening meeting of the Chapter addresses were made by Geo. E. Allen, vice-president Newell of the Peoples Bank of Buffalo, and James Rattray of the Bank of Buffalo, who was elected to the Executive Council of the Institute at the recent Cincinnati convention. "Our first class in banking and finance was held on October 18. Over a hundred new members have been enrolled. A class in penmanship is to be started, with Gordon Cleversly, our vice-president, as the instructor. The first meeting of our Chapter Forum took place on October 19, at which the subject of 'Essentials of Investments' was discussed by Harry Evers, president of Teller & Evers, Inc., of Buffalo. The class in Spanish was started on October 20,

under the able instructions of Manuel deLanda of D'Youville College, Buffalo. On November 2, Clay Herrick, manager of the research department of Ernst & Ernst, certified public accountants, Cleveland, Ohio, will speak to us on "Corporation Finance." Buffalo Chapter is pleased to announce that its president, Godfrey F. Berger, Jr., has been appointed secretary-treasurer of the Lackawanna Trust Co., Lackawanna, N. Y., also that Harry Hoffman, a former president of the Chapter, is now assistant secretary of the Citizens Commercial Trust Company of Buffalo, having been previously assistant cashier of the Black Rock Bank, which became a branch of the aforementioned bank. Mr. Rattray will, on October 31, speak at the first meeting of Rochester Chapter. His subject will be "The Value of Institute Training." Our thrift campaign committee is busily engaged in its work and has succeeded in bringing about the establishment of school savings banks in the city of Buffalo."

CHATTANOOGA—G. A. Rice, in an interesting way, describes the opening meeting of the Chapter, October 19. Hon. L. M. Coleman, U. S. District Attorney for the Federal District, including Chattanooga, addressed the meeting, which took the form of a banquet. President McDowell acted as toastmaster, A. W. Faber, T. R. Durham, and N. J. Simmons, chairman of the educational committee, also spoke. D. H. Griswold, an Institute graduate and cashier of the American Trust & Banking Co., read a very instructive paper with relation to the American Bankers Association's convention at Kansas City, giving a brief history of the Association, what it was doing, its aim, the work of the different departments and how the whole organization was endeavoring to serve the best interests of the business world. T. R. Durham has been selected as instructor of the course on "Banks and Banking."

CINCINNATI—"Cincinnati Chapter has held two meetings," writes William Beiser. "The first meeting was held October 17 for the formation of classes. Seventy students are enrolled in the classes of commercial law, banking and investments, public speaking and elementary banking. Seventy new members have been enrolled in the organization. The membership is now 270. It is the plan of the membership committee to inaugurate a campaign to increase the membership to 500. Charles H. Deppe, vice-president of the Union Savings Bank & Trust Co., spoke on the subject of bonds at the meeting of October 24. The meeting was well attended. A very interesting discussion followed Mr. Deppe's address regarding the irregularity of bonds given by municipalities in aid of railroad construction. At the next meeting of the Chapter on November 14 O. N. Sams, president of the Ohio Bankers Association, will lecture on the Federal Farm Loan Act.

CLEVELAND—H. W. Herrick writes that "with the return of our sixteen delegates from the annual convention at Cincinnati, Cleveland Chapter is preparing for an unprecedented year of activity and enthusiasm. Under the able leadership of President C. W. Stansbury

of the Garfield Bank, we are launching forth on a campaign to increase the membership to above 500. Chief Consul Fairbanks of the Union National Bank has appointed on his membership committee one representative from each bank in the city, thus insuring a thorough canvass of all bank employees. Other officers elected for the coming year are: Vice-president, H. W. Herrick of the Cleveland Trust Co.; recording secretary, J. Howard Hill of the First National Bank; financial secretary, H. F. Strater of the Union National Bank, and treasurer, G. A. Church of the Cleveland National Bank. The following comprise the new board of governors: W. T. Bissell, Geo. A. Everson, Elmer Guentzler, Chas. Pionka, T. L. DeForest, Herman Guentzler. We are assured that a very capable authority will take charge of our law course, probably from Western Reserve University of this city. The increase in membership and enthusiasm in these classes last year, as well as in the public speaking and debating societies and the Forum, indicate a banner year for Cleveland Chapter the coming season. The Chapter is publishing this year a monthly magazine, *The Junior Banker*, edited and managed by J. Howard Hill of the First National Bank. The following have been appointed chairmen of the other important committees: T. L. DeForest, of the program committee; A. M. Corcoran, of the ways and means and reception committees; L. C. Haas, of the entertainment committee; F. L. Frey, of the house committee; M. J. Fleming, of the employment committee, and H. W. Herrick, of the publicity committee. The first regular meeting was held Tuesday evening, October 10."

DALLAS—Our 1916-17 classes—banking and public speaking and debating—have been organized, writes Harry C. Ard. The latter class has been actively at work for three weeks. Jerome Crossman of the University of Texas is successfully directing the efforts of this class, which meets once each week and in which a dozen or more of our older members are vitally interested. We are accomplishing splendid results. The work of the banking class began October 3, upon the return of Stewart D. Beckley from the Cincinnati convention and his vacation, who was chosen to lead the class. Unusual interest is being manifested in all activities of Dallas Chapter, especially in the banking class, which was organized with thirty-five members, including a number of graduates who are reviewing the course because of the Federal Reserve Act and other important changes in our modern banking. With the unsurpassed enthusiasm and energy of our leader, we expect to score one hundred per cent.

JACKSONVILLE—J. E. Stephenson advises that the opening meeting of the season was held October 5. One of the features of the evening was a report of the proceedings of the Cincinnati convention, presented by J. A. Newson and W. T. Coates, two of the delegates from Jacksonville. After considerable discussion it was decided not to have an open meeting for entertainment each month, as in the past, but to have simply one social gathering at the end of the study course. This is evi-

dence of the fact that Jacksonville Chapter is organized strictly for business this year; and since fourteen of our members have passed the test examination in commercial law, we confidently expect to have a record-breaking number of graduates at the close of this year's study.

KANSAS CITY—Horace E. Hamm writes that the Cincinnati convention was a great success from the viewpoint of the Kansas City Chapter; first, because we had the largest delegation that ever attended a convention from this city; and second, because of the successful campaign made by Clarence H. Cheney for a place on the Executive Council. We are also pleased at the kind words received in return for our efforts at the American Bankers Association convention held here during the last week in September. The Chapter had full charge of the information and personal service committees. There were Chapter men on the job all the week meeting trains and directing visiting bankers to the various hotels, the convention hall and any other place they may have desired to go. One of the most pleasant remembrances of the A. B. A. week was the dinner given September 28 by the Kansas City Chapter to the Institute men attending the convention. There were twenty-two different Chapters represented at the table. Mr. McWilliam, president-elect, was toastmaster. Various ones of the "Old Guard" were called upon for short talks. For our members who could not go it was equal to a trip to Cincinnati, as it gave them an idea of what an Institute convention was like. We are starting a third class this year for members of less than a year's experience in banking. It is the intention to make this study as practical as possible. There are to be no lectures, as the desire is to clear up the hard problems which confront them in their daily tasks. This class is to be conducted by graduates of the Chapter. For those members who are trying for a certificate there is to be the regular class in banking. We have been very fortunate in again securing the services of Harry B. Walker, as instructor for this class. The graduate class after the first few meetings are to take up the study of bonds, commercial paper and investments. One night each month is to be devoted to a discussion of legal questions, using the *JOURNAL-BULLETIN* as text-book; thus some of the points of law that present themselves to us in our daily routine may be more clearly understood.

LOS ANGELES—E. C. Hoffman writes: "Los Angeles Chapter desires to extend to all sister Chapters, its hearty thanks for the honor bestowed upon it in the selection of one of its members for the highest honor within the gift of the Institute, namely, the presidency. We thoroughly appreciate this distinction and shall bend every effort to be worthy of the confidence expressed. We are all proud of E. G. McWilliam and have the utmost confidence in his ability to serve the Institute well. That the value of Institute training is fully appreciated by the bank men of Los Angeles and vicinity is evidenced by the fact that 372 members of Los Angeles Chapter have registered for the banking and finance course this

year, and prospects are that the total will reach 400. Practically all of the 154 students who passed the examination last year have enrolled for the banking course this season, which would portend a record-breaking class of graduates at the termination of this year's study. There are now eleven certificate holders in Los Angeles Chapter, and the addition of 150 possible certificate holders at the end of the year would put Los Angeles on a par with the larger Chapters of the Institute. At the opening night, October 6, it was impossible to accommodate all the students, and as a result the class has again been divided this year, half of them meeting at six o'clock and the others at seven-thirty. The first open meeting of the year was held September 29. President Otis gave a short talk on 'The Season 1916-1917.' F. W. Healy, vice-president of the Chapter, addressed the meeting on 'The Cincinnati Convention,' giving in detail the happenings at Cincinnati, as well as giving an account of the royal treatment accorded the delegates along the route. Geo. E. Reid, assistant cashier of the Home Savings Bank, spoke upon 'The Needs of an Education.' Upon the return of Mr. McWilliam to Los Angeles he was tendered a banquet by the Board of Governors and Board of Consuls in honor of his election as president of the Institute. As an outcome of this dinner plans were discussed for the establishment of a Forum, the idea seemingly being very popular among the older members and bank officers. In addition to remarks by Mr. McWilliam, H. S. McKee, cashier of the National Bank of California, also made a pleasing address on 'Education.' Upon the occasion of the opening of class instruction Mr. McWilliam made a short talk as president of the Institute and was followed by Mr. McVay, vice-president of the German American Trust & Savings Bank, who presented an excellent paper upon current banking topics. Claire S. Tappan, who has again been designated educational director of Los Angeles Chapter, lectured upon the origin and establishment of banks."

MILWAUKEE—The largest attendance in the history of the Milwaukee Chapter, according to Joseph C. Moser, was present in the Chapter rooms on Monday evening, October 16, to usher in the fifteenth season of activities. J. H. Puelicher, vice-president of the Marshall & Ilsley Bank, representing the Milwaukee Clearing House Association, presented last year's graduates, ten in number, with their Institute certificates. He also gave an interesting talk on thrift in its broadest sense and pointed out the banker's duty of helping to instruct the general public to practice thrift. G. W. Augustyn, assistant cashier of the National Exchange Bank of this city and a former president of the Milwaukee School Board, also addressed the meeting and encouraged the bank men present to take an active part in the educational work of the Chapter. Prof. A. C. Houghton, Marquette University of this city, who will conduct the class in negotiable instruments, outlined the work for the coming season. Seventy-six men having enrolled in the law course. The membership committee announced that they had applications from thirty-two new members and that the pros-

pects were very bright of bringing in as many more within the next month or two.

MINNEAPOLIS—Secretary Hagg writes that the membership committee at the Chapter dinner meeting held on September 27 announced ninety-seven new members. All credit is due to the tireless efforts of our president, A. V. Smith, and the efficiently organized membership committee, headed by J. H. Layden. The Minneapolis Chapter is proud to announce a total membership of 502. After an excellent dinner we listened to a talk on "Advertising," given by Mr. MacMartin, nationally known by the advertising he writes. "The modern banker," said Mr. MacMartin, "has come to consider advertising as a form of investment, not as a form of gambling." A short talk was also given by Prof. C. M. Preston, in which he complimented the Chapter and the good work accomplished by the educational committee and the members themselves who are enrolled in the various classes. The classes are much larger and better attended than last year and everybody seems enthusiastic and eager to grasp the opportunity of becoming thoroughly efficient in their chosen work. A report of the Cincinnati convention was also given, which proved very entertaining as well as interesting.

MOBILE—Secretary McRae advises that Mobile Chapter was reorganized October 12, 1916, with a membership of thirty-two. C. E. Boyd of the Peoples Bank was elected president of the Chapter, P. G. Barnes of the First National Bank, vice-president; J. F. McRae of the Merchants Bank, secretary, and H. A. Pharr of the Bank of Mobile, treasurer. J. R. Burgett of the Peoples Bank and W. R. Eastment of the Union Savings Bank were elected members of the executive committee to serve three years; A. J. Wildman of the Peoples Bank and W. J. Parham, Jr., of the Merchants Bank were elected to serve two years, and A. P. Inahorn of the Peoples Bank and Porter King of the Merchants Bank were elected to serve one year.

NASHVILLE—According to A. C. Dorris, Nashville Chapter opened its 1916-1917 season October 28 with a banquet at the Hotel Hermitage. R. S. Hecht, member Executive Council of the Institute; Dr. J. H. Kirkland, chancellor Vanderbilt University; Joel B. Fort, Jr., president of the Chapter; Dr. Gus W. Dyer of Vanderbilt University and Chas. L. Cornelius were the speakers of the evening. The plans for educational work for the winter are as follows: Class in "Practical Banking," conducted by Bradley Currey, assistant cashier Fourth and First National Bank; class in banking and finance, under the direction of C. E. Johnson, C. P. A.; a post graduate course directed by Dr. Gus W. Dyer of Vanderbilt University; class in public speaking, directed by Prof. A. M. Harris of Vanderbilt University.

NEW ORLEANS—Secretary Brady writes that New Orleans Chapter formally launched its educational program for the 1916-17 session on October 16 with the opening of the elementary banking class under the direction of Kenner S. Baetjer of the Hibernia Bank & Trust

Company. While this class is an innovation so far as our educational activities are concerned, we have no doubt of its success, as it fills a long-felt need. The banking and finance class, under the guidance of Prof. Morton A. Aldrich, dean of the Tulane College of Commerce, is by far the largest ever enrolled by New Orleans Chapter, eighty members having enrolled. The Chapter speakers have mapped out a very vigorous campaign for the winter, including several local and inter-city debates, aside from the regular classes in English and spelling. Informal talks scheduled for the year include the following: P. H. Wilkinson, Hibernia Bank & Trust Co., "Bonds"; F. L. Ramos, Canal Bank & Trust Company, "Transit"; R. J. Palfrey, New Orleans National Bank, "Discounts"; Paul Villere, Hibernia Bank & Trust Co., "Foreign Exchange"; Harry Hardie, Commercial-Germania Trust & Savings Bank, "Branch Banking."

NEW YORK—F. E. Tyng, Jr., writes that the delegates representing New York Chapter at the annual convention of the A. I. B. have returned and are unanimous in their appreciation of the hospitality of Pittsburgh Chapter during our short visit there. They have also brought back very happy recollections of the largest convention in the history of the Institute, and of the treatment which they received from the men of Cincinnati Chapter. The delegates were imbued with enthusiasm for Chapter work, which will help to push us on to bigger and better efforts in educational work among bank men. The inspiration that comes to us in meeting Institute members from all over the Union and the opportunity of discussing Chapter problems with other Chapter representatives are bound to make us better Institute men, better students and more efficient members of our respective bank staffs. We are specially gratified at the honor which has been conferred upon our former president, E. G. McWilliam, in his selection as national president for the ensuing year. Including the past year, this Chapter has graduated 294 men. The past year, which was the first under the supervision of Columbia University, has served to show New York bank men, who are in quest of a practical banking education, that the Chapter is the only place in the city where they can find what they need. Registration figures to date show that they are coming to a full realization of it, as advance registrations before September 25 kept the secretary quite busy signing up both new and old members. Plans have been made or are now under consideration for recommending our various social activities. The Walking Club, organized during the summer months, is already stretching its many legs. The date set for the annual dance is November 17. New York Chapter takes pleasure in announcing the well-deserved promotion of Fred W. Ellsworth. A. I. B. circles throughout the country will be interested to hear that Mr. Ellsworth has been elected secretary of the Guaranty Trust Company of New York. The board of governors, at their August meeting, chose William Alcorn Brown, secretary of the Chapter, to succeed Harold S. Schultz, who found it necessary to resign that position in order to give undivided attention to his law practice. Mr. Brown has

had much teaching experience and will be a valuable man to direct our educational work during this period of transition into a more complicated system. Between 1,200 and 1,300 persons were present at the sixteenth annual rally of New York Chapter, which was held on the evening of September 26 at Aeolian Hall. J. A. Seaborg, president, made the address of welcome and described the new system of education now inaugurated. J. Howard Ardrey, vice-president of the National Bank of Commerce, was the speaker of the evening and an interesting one he proved to be. His subject was "The Man Who Knows." Prof. Roswell C. McCrea spoke on "Columbia Co-operation," in place of Prof. James C. Egbert, who was unable to be present. An extra fine musical program was provided by the Aeolian Company. The evening's program came to an end with J. B. Birmingham, chairman of the educational committee, awarding the certificates won by last year's graduating class.

OAKLAND—W. R. Ward writes that the banking and finance class, under the direction of Prof. Ira B. Cross, of the University of California, is meeting every Tuesday evening in the Chapter rooms. An entertainment was given in connection with the enrolment of the class. President J. E. Smith, in his address, emphasized the necessity for trained minds in the banking profession and laid particular stress on the value of the Institute course as a means of preliminary training for bank men who are ambitious and desire advancement. Seventy-five signed the enrolment list and the attendance has been very gratifying to date. Fifteen members of Oakland Chapter journeyed by automobile to Stockton on October 12 to assist in the inauguration of a new Chapter of the A. I. B. The meeting was held at 11 a. m. in the Chamber of Commerce rooms and fifty-seven Stockton bank men were there prepared to join our ranks. F. M. Cerini, former member of the National Executive Council, addressed the meeting. A. E. Caldwell, past president of Oakland Chapter, discoursed on the possibilities which the A. I. B. holds for ambitious men.

PHILADELPHIA—According to W. W. Allen, Jr., the educational work of the Chapter has started off with promptness and with much zeal. Some 300 men are enrolled in the Banking A, negotiable instruments and trust company classes. With three large classes under experienced instructors the board of governors feel that the most important work of the Chapter is under good headway. About thirty men are in the public speaking, nearly the same number in credits and others are taking up the business English. The Forum has begun its work and bids fair to be a success. Our glee club has formed with sixty members and we are looking forward to a concert in the spring. The first members' night was largely attended and the meeting was entirely satisfactory. The subjects discussed were "Investments" and "Handling the Trust Estate." Situated in comfortable quarters, with a large and sympathetic membership, backed up solidly by the banks and trust companies of the entire community, Philadelphia Chapter is now doing the best work in its history and appears to be building well for the future. The present officers are alive to their responsi-

bilities and our outlook is most encouraging. Philadelphia is proud to have been honored by the Institute in the election of William A. Nickert to the Executive Council.

PITTSBURGH—H. E. Reed writes that, "our season was inaugurated Tuesday evening, October 10, with an open meeting, our guest being Milton W. Harrison, assistant educational director of the Institute, whose subject was 'Five Essentials to Success,' which he said were "range, resolution, perseverance, study and 'the smile.'" It was a great address, being particularly adapted to the occasion. Following Mr. Harrison's talk, eleven of our members were given Institute certificates, which were presented by Lawrence C. Sands, president of the First-Second National Bank of Pittsburgh. Mr. Sands also delivered a short and interesting talk, taking for his theme, 'Evolution.' Jean Phillips, our new president, presided at the meeting. Our educational classes, under the direction of the University of Pittsburgh, are now organized and accomplishing much. The educational committee has provided four classes as follows: Commercial law, under the direction of Prof. J. T. Duff, Jr., with an enrolment of ninety-five. Bank accounting, teacher, Professor Eckles; enrolment, forty-three. Corporation finance, teacher, Professor Jones; enrolment, eighty. Elementary banking, teacher, E. S. Eggers, assistant cashier of the Union National Bank of Pittsburgh; enrolment, forty. We are, of course, all grateful for the co-operation of the University of Pittsburgh in the work. John A. Price, of the State Deposit & Trust Co., editor of *Chapter Clearings*, our Chapter paper, promises that the splendid edition issued last year will be repeated and improved, if possible. Mr. Mullen, chairman of the committee on public affairs, after consulting with Mr. Harrison, promises a live and lasting thrift campaign. All our other committees are now hard at work and this promises to be the banner year in educational work in Pittsburgh Chapter."

PORTLAND—"The formal opening of the Chapter for the season of 1916-1917 was held in the new club rooms located in the Oregon Building," writes Helmer Pierce, "on Tuesday, September 12, with President Edward C. Sammons presiding. President Sammons in his address outlined the work to be conducted this year under the Chapter's auspices, and further urged everyone present to take advantage of the educational opportunity offered at so reasonable a cost to the members. Four classes are scheduled for this year, namely, the elementary course, using O. Howard Wolfe's text-book; the regular Institute two-year course; the forum; and public speaking. The instructor in the banking and economic course is Prof. D. W. Morton, dean of the School of Commerce at the University of Oregon. The new Chapter quarters referred to above are well furnished, and in addition to this we have the privilege of also using a room in the Portland Chamber of Commerce, which is equipped with one of the most complete libraries in Portland."

RICHMOND—W. W. Dillard reports that the Chapter held its first meeting of the season September 26. Henry G. Proctor, chairman of the educational committee,

reported the completion of the program of study courses, which will be conducted by the Chapter at the Virginia Mechanics Institute. The members were enthusiastic, as shown by the enrolment of ninety-five students in five courses. The delegates to the convention made an interesting report of their trip to Cincinnati. We were exceedingly glad to know that one of our most popular young bank men, Henry G. Proctor, was elected vice-president of the American Institute of Banking. The consuls from the different banks made a report at this meeting of sixty-five applications for membership, and we have every reason to believe their next report will carry our membership enrolment over 325. Dr. Douglas S. Freeman, editor of the *News Leader*, the principal speaker of the evening, impressed upon us the fact that education is essential to a successful banker. Meade Addison, vice-president and cashier of the First National Bank, one of our most ardent supporters, made a very interesting talk on education.

ST. LOUIS—Arthur Meyer writes that the opening meeting of St. Louis Chapter was held October 5. After a short talk on the vast opportunity afforded the young bank man of today in obtaining an education and practical knowledge of his chosen profession, J. A. Lewis, vice-president and cashier of the National Bank of Commerce, presented the certificates to the men, who had last season completed the course in banking and law. C. F. Herb, vice-president of the Mississippi Valley Trust Co., who will conduct the banking class, gave some good advice on how the young man can make a success in the banking business. Chester B. Curtis, principal of the Central High School, gave an outline of the course he will pursue in conducting the class in public speaking. Frank C. Ball gave a report on the Cincinnati convention. O. A. Zahner of the American Trust Company outlined the work of the junior class. Byron W. Moser gave a report on the investigation of the \$3,000,000 school bond issue to be voted on by the people of St. Louis. Enrolment in the various classes will begin at once.

ST. PAUL—Secretary Stolpestad reports that the Chapter had a very large attendance and a very enthusiastic opening meeting, September 26. Mr. Preston of the University of Minnesota gave an interesting talk on the advantages of education. The principal speaker of the evening was Jerome W. Wheeler, president of the Capital Trust & Savings Bank. He talked on the subject of preparedness in study and application to our work for the better positions. The most encouraging thing about the work of St. Paul Chapter is the interest taken in education. The educational committee and the officers have taken hold of the matter with a great deal of enthusiasm, and with the co-operation of the University of Minnesota Extension Division, we have organized classes in "banking and finance" and "business law." We also are working on a "public speaking" class, which we expect to get organized in the near future. The enrolment classes is about fifty per cent. of our members. We also have the support of the banks in our efforts to promote the educational work, four of our largest

banks having offered to refund the tuition fee to those of their employees who successfully complete the work in their classes. This will serve as an added inducement to do their best.

SAN FRANCISCO—W. F. Gabriel writes that Chapter members have been very busy during the past month. All classes are actively at work. New classes have been added to the curriculum and arrangements made with the Extension Division of the University of California whereby the banking and finance course and the law class would have both afternoon and evening sessions. The records of enrollment are as follows: Banking and finance, 230; law, 200; English, 50; Spanish, 35; accounting, 35; French, 10. A fee of \$5 is charged for enrollment in each class, excepting the two regular Institute courses. This has been found necessary, as the Chapter has obligated itself to expend \$1,100 for instruction covering this work. Certificate holders are being recognized by the banks in a very practical manner. The institutions in San Francisco have agreed to give their respective employees who have already graduated from the A. I. B. study classes a free course in any one of the classes in which a tuition is charged. In addition to this work, E. W. Wilson, vice-president of the Anglo and London Paris National Bank, the chairman of the educational committee, has instituted a series of business administration nights, which will be held twice a month. The purposes of this course are to acquaint the young men with the management and operation of our successful enterprises and to place before our members some of the underlying principles which are essential to successful business. The first meeting under this course was held on the evening of September 8, at which time John A. Britton, vice-president and general manager of the Pacific Gas and Electric Co., spoke regarding this concern in an illustrated lecture on "Corporation Management, Operation and Development." The story of the remarkable growth of the corporation proved fascinating. "This month we were very fortunate to be able to listen to W. W. Briggs speak on 'The Business History and Public Benefits Accruing from His Corporation—The Great Western Power Company.' We are also looking forward to later in the month of hearing C. H. Bentley, general sales manager of the California Fruit Canners Association, who will address the members on the subject, 'The History and Development of the Canning Industry.' The momentum acquired by our '1,000 Member Campaign' is still increasing the membership. We registered 1,007 members at the convention and we now total 1,070, and we are still growing. The chief inducement we offer members is education. Our aims and ambitions are to give our men advantages which will broaden their vision and assist them to utilize their resources, thereby increasing their efficiency. The men are responding enthusiastically."

STOCKTON, CAL.—Chapter was organized Thursday, October 12, 1916, with sixty-five charter members. Fifteen members of Oakland Chapter assisted in the forma-

tion of the new Chapter. The following officers and governors were elected for one year: President, J. Dorsey Ewing, with First National Bank; vice-president, Hugh Campbell, Farmers and Merchants Bank; secretary, Alexander Anderson, Stockton Savings and Loan Society Bank; treasurer, Thomas B. Gough, San Joaquin Valley National Bank; governors, J. W. Kerrick, chairman, Stockton Savings Bank; Ralph Post, Lodi; Peter Dragomanovitch, Union Safe Deposit Company; A. W. Oleson, Commercial and Savings Bank; Andrew J. Bona, San Joaquin Valley National Bank; D. W. Beattie, Farmers and Merchants Bank.

SYRACUSE—Secretary Porter reports that twenty-four new members have enrolled in the banking class. The Forum class is taking up the study of "Commercial and Industrial Geography." The text used is the same as used in the Wharton School of Finance and Columbia University. An innovation in the educational work has been adopted in the matter of attendance at the meetings. The classes are divided so that the members may register to do the work required and any others may attend but will not be held responsible for definite work. Professor Roman of Syracuse University is instructor. The officers of Syracuse Chapter are working with two things in mind, namely, that efficiency may be acquired by the bank men and believing that where efficiency exists it should and eventually will be recognized.

WASHINGTON—The Chapter rooms were taxed to capacity when the first open meeting of the year was held October 19, according to John A. Pettig. Governor Harding, of the Federal Reserve Board, gave the men a most interesting talk on the opportunities that have developed during the past two years in the financial field. Interesting reports of the convention were made by F. G. Addison and F. B. Devereaux. They praised Cincinnati Chapter highly for one of the most successful educational conventions in the history of the Institute. Chairman Colvert outlined the plan to organize a rifle club, which will be associated with the Plattsburg movement for preparedness. Our past president and head of the Federal National Bank of this city, John Poole, sketched the history of Washington Chapter and outlined the fundamentals of success in banking. The educational work, which is outlined on an extensive scale, is being handled by Parke A. Galleher, chairman of the committee. In addition to the regular Institute course on banking and finance, there will also be conducted the post graduate Forum, a Spanish class and an elemental course for the junior members. President Neuhauser is deeply interested in his job and has been fortunate in securing the active co-operation of some of our best men. In consequence thereof he is mapping out the biggest and most progressive year's work ever attempted by Washington Chapter. Since our last letter A. M. Nevius and Robert V. Fleming have been made assistant cashiers of the Riggs National Bank.

MEMBERSHIP CHANGES

REPORTED DURING OCTOBER, 1916

Alabama	Birmingham	Caldwell and Ward changed to Caldwell and Garber.
Arizona	Superior	Superior Commercial and Trust Company succeeded by Bank of Superior.
Arkansas	England	Citizens Bank changed to Citizens Bank and Trust Company.
California	Fresno	Fresno National Bank succeeded by Bank of Italy.
	Woodland	Bank of Woodland changed to Bank of Woodland, National Association.
Connecticut	Hartford	National Exchange Bank consolidated with First National Bank.
Georgia	Douglas	Bank of Douglas closed.
	Macon	Citizens National Bank purchased by Fourth National Bank.
	Wrens	Bank of Wrens changed to Wrens Bank.
Idaho	Payette	Fruit Growers Bank consolidated with First National Bank.
Illinois	Chicago	Tuma Savings Bank closed.
Iowa	Defiance	Bank of Defiance succeeded by Defiance Savings Bank.
Massachusetts	Gardner	Westminister National Bank converted to Gardner Trust Company.
Nebraska	South Omaha	Live Stock National Bank, Packers National Bank and Stock Yards National Bank now listed under Omaha.
	Wilber	National Bank of Wilber converted into Saline State Bank.
Oklahoma	Tulsa	Merchants and Planters Bank succeeded by Planters National Bank.
South Carolina	Mount Croghan	Bank of Ruby and Mount Croghan changed to Bank of Mount Croghan.
West Virginia	Huntington	Central Banking Company succeeded by Cabell County Bank.

NEW MEMBERS FROM OCTOBER 1 TO 31, 1916, INCLUSIVE

Arizona	Central Bank of Phoenix, Wickenburg.	Kansas	Citizens Bank, Axtell.
California	First National Bank, Lamanda Park.		Union State Bank, Beverly.
Florida	Bank of Boynton, Boynton.		Farmers & Merchants State Bank, Cawker City.
	State Bank of Palatka, Palatka.		Farmers State Bank, Centropolis.
Illinois	C. W. Anderson & Co., Chicago.		Cunningham State Bank, Cunningham.
	Shepherd National Bank, Lovington.		First National Bank, Edmond.
Iowa	Blenceoe Bank, Blenceoe.		Ellsworth State Bank, Ellsworth.
	First National Bank, Nevada.		Lyon County State Bank, Emporia.
	Washington Loan & Trust Co., Washington.		State Bank of Eudora, Eudora.
Kansas	Altamont State Bank, Altamont.		Bank of Fall River, Fall River.
	Americus State Bank, Americus.		Farlington State Bank, Farlington.
	Farmers National Bank, Americus.		Bank of Fulton, Fulton.

Kansas.....	Garnett State Savings Bank, Garnett. Farmers State Bank, Highland. Union State Bank, Hunnewell. Farmers State Bank, Hunter. Independence State Bank, Independence. Iola State Bank, Iola. Kirwin State Bank, Kirwin. Montezuma State Bank, Montezuma. Citizens State Bank, Moundridge. First National Bank, Mt. Hope. Farmers State Bank, Mulvane. Navarre State Bank, Navarre. Osage County Bank, Osage City. Citizens State Bank, Paola. Peoples State Bank, Parkerville. Piper State Bank, Piper. Piqua State Bank, Piqua. State Bank of Scottsville, Scottsville. National Bank of Seneca, Seneca. First State Bank, Truer. Turner State Bank, Turner. Farmers & Merchants State Bank, Wakefield. Farmers State Bank, Washington. Citizens State Bank, Wichita. State Bank of Zenith, Zenith.	Missouri.....	Farmers Exchange Bank, Trenton. Farmers State Bank, Union Star. Bank of Weston, Weston.
Kentucky.....	Second National Bank, Lexington. First National Bank, Stanford.	Montana.....	Montana State Bank, Geraldine. First National Bank, Hinsdale. First National Bank, Judith Gap.
Michigan.....	Dime Savings Bank, 1475 14th Ave. Branch, Detroit. Farmers State Bank, Grass Lake.	Nebraska.....	First National Bank, Adams. Albion National Bank, Albion. Citizens State Bank, Blair. Chadron State Bank, Chadron. State Bank of Elkhorn, Elkhorn. Phelps County Bank, Holdrege. National Bank of Humboldt, Humboldt. Farmers State Bank, Kramer. First National Bank, Litchfield. Manley State Bank, Manley. Farmers State Bank, Polk. State Bank of Ravenna, Ravenna. Peoples Bank, Red Cloud. Citizens National Bank, Wayne.
Minnesota.....	Merchants Trust & Savings Bank, St. Paul.	New Jersey.....	Salvatore D'Auria, Banker, Newark. Fourth Ward Trust Co., Passaic. Raritan Trust Co., Perth Amboy.
Missouri.....	Atherton State Bank, Atherton. Bank of Agency, Agency. First National Bank, Bosworth. Barry County Bank, Cassville. Corder Bank, Corder. Bank of Darlington, Darlington. Hamilton Trust Co., Hamilton. Bank of Independence, Independence. J. G. Streean Investment Co., Kansas City. The Lathrop Bank, Lathrop. Farmers Bank, Leeton. Bank of Merwin, Merwin. Farmers & Merchants Bank, Montrose. Peoples Bank, Mountain View. Bank of Orrick, Orrick. Bank of Osborn, Osborn. Farmers State Bank, Rea. Richmond Trust Co., Richmond. Wells-Hine Trust Co., Savannah.	New Mexico.....	Union County Trust & Savings Association, Clayton. Las Vegas Savings Bank, East Las Vegas. Bank of Commerce, Taiban.
		New York.....	Bank of Elba, Elba. Metropolitan Trust Co., 716 Fifth Ave. Branch, New York. Pacific Bank, 49th St. & 7th Ave. Branch, New York. Pacific Bank, 57th St. & Madison Ave. Branch, New York.
		North Carolina....	Bank of Harnett, Duke.
		North Dakota.....	Security State Bank, Bonetrail. Farmers State Bank of Grenora, Wildrose.
		Oklahoma.....	Avard State Bank, Avard. Bank of Crescent, Crescent. First National Bank, Dewey. Oklahoma State Bank, Frederick. Hennessy State Bank, Hennessy. First National Bank, Hulbert. First National Bank, Kingston. Union National Bank, Tulsa.
		Pennsylvania.....	Citizens National Bank, Pottstown.
		Texas.....	First National Bank, Breckenridge. First State Bank, Chillicothe. First National Bank, Pampa.
		Virginia.....	American Trust Co., Richmond.



